



بنك التعمير والإسكان  
Housing & Development Bank

# ANNUAL REPORT 2008



# INDEX

**Financial Highlights & Ratios**

**Chairman and Managing Director's Statement**

**Management**

**Shareholding Structure**

**Board of Directors**

**The Division Heads and Zones**

**Housing and Development Bank Group**

- Auditors' Report
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Changes in Shareholder's Equity Statement
- Complementary Explanations

**2**

**Housing and Development Bank**

- Auditors' Report
- Balance Sheet
- Income Statement
- Cash Flow Statement
- Changes in Shareholder's Equity Statement
- Profit Distribution Statement
- Complementary Explanations

**Head Office and Branches**

# Financial Highlights & Ratios

(Egyptian Pounds (000))

<b>Fiscal Year End</b>	<b>2007</b>	<b>2008</b>	<b>Growth Rate %</b>
Total Assets	10 638	9 494	(10)
Customers Loans (net)	4 701	5 181	10.2
Housing projects	381	386	1.3
Total Deposits	4 805	5 231	8.9
Net Return	275	296	7.6
Net Activity Return	492	465	(5.5)
Net Profit for the year	182	201	10.4
Return on Equity	31.7%	26.1%	
Return on Assets	1.7%	2.1%	
Earning per share	2.8	2.48	

## **Chairman and Managing Director's Statement**



## **Chairman and Managing Director's Statement**

The year 2008 witnessed the unveiling of the severe global financial crisis that emerged several years ago and escalated with the start of the last quarter of 2008. It had a profound influence on the capital markets, investment and the collapse of many stock markets, which led to losses estimated at several trillion dollars. This made the governments, central banks and especially the United States of America intervene with many measures and provide direct support to the banking sector and financial institutions. The quick signs of the implications of the global crisis reached all parts of the world at various degrees which infected the world with financial confusions as a result of inertia and financial reactions based on anticipating the worst.

5

In Egypt, the Government has initiated some measures and procedures and issued some facilities in order to deal with the crisis and mitigate its sharpness on the economic and social sectors in society. This helped to halt the sharp decline in financial stock markets and return confidence and trust in the possibility of overcoming the crisis by all means and to maintain the least decline rate in foreign investment along with increasing the volume of deposits and credit. The World Bank expects that the crisis will begin to recede by the end of 2009.

The Egyptian Banking Sector has confirmed to have the magnitude and the ability to absorb the global financial crisis as it has not been affected like the international banks. Thanks to the regulations established by the Central Bank of Egypt in the previous years that proved to be successful over the years, especially with regard to the distribution of risk through dealing with international banks. It was really the defensive shield that softened the impact of the global crisis on the Egyptian banks.

What really eased the impact of the lack remittances' flow and tourism as a consequence of the global crisis were the regulations that have been developed to limit the expansion of bank credit in real estate, to rid banks of bad debts after the treatment of this problem over the past four years, the increase in the Egyptian volume of reserves of foreign exchange, as well as the secure investment for those stocks. The banking sector ended 2008 with a strong growth, an increase in the net profit, and great operational performance.

As for Housing and Development Bank this year, it has witnessed unprecedented achievements. The beginning of the global financial crisis' effects were just a motivation for further challenges in the Bank's progress to maintain its strong position and to achieve its strategy through the expansion of branches network, diversifying and improving services, upgrading the training level for employees, outstanding customer service, expanding the base of the bank's clients, strengthening internal control

systems, establishing Market Risk Department, and calculating and controlling operational risks. Analysis of major Securities companies in Egypt has shown that Housing and Development Bank is one of the most profit-making banks between similar ones. It also commended the quality of its assets and the strength of its financial position. This attributed to the latest inspection report from the Central Bank of Egypt which showed the strength of the bank's financial position and the adequacy of provisions and in particular that of the credit.

The bank has followed the rules of preparing and copying of the financial statements issued by the Central Bank of Egypt in December 16, 2008 regarding the financial investments for the financial year ended in December 31, 2008. For the rest of the rules that are with effect from January 2010, the Bank has set up a committee from the divisions concerned to take the necessary measures to ensure their full commitment.

In order to strengthen the bank's capital base in line with the expansion in the volume of business, early in 2008 the first stage of the decision of the extraordinary general assembly to increase the authorized capital from 1 billion to 3 billions and the issued and paid-up capital from 550 million Egyptian pounds to 1450 million pounds by increasing the issued and paid-up capital from 550 million to 670 million pounds that were offered for the old shareholders with the nominal value. The second stage of the remaining 75% of the capital increase will be offered for the public at fair value after the effects of the global crisis on financial markets.

Modernization of the bank's strategy for the years 2009 - 2013 is to work on the development of the bank's operations and its competitiveness, promote customer service, improve the efficiency and performance of its divisions, raise the productivity, and maximize profitability.

6 The increase in the overall rate of the bank's performance from 31% to 68% reflects the success of the strategic direction of the bank's management and the successful activation of the previous strategic plan (2004 - 2008).

Due to the management's belief in the paramount importance of the quality of services provided to the bank's clients and removing the obstacles they face, these services rendered by the bank have been developed in order to put these activities and compare those in the previous phase.

The management's philosophy in setting priorities and applying regulations and trading rules is as follows:

- Quality of the services provided.
- Centralized and decentralized planning and performance evaluation.
- The community's vision of the bank.

In the field of geographic expansion, the Bank worked on increasing the number of branches by opening (4) new branches, developed (5) branches of the bank's plan of geographical expansion for a total of (47) branches and (8) collection offices. The Bank also applied to get licenses for (12) branches.

In the field of retail banking activities in line with the Bank's strategy in diversifying and improving services, the Bank added (19) ATM machines, (1) kiosk machine for a total of (95). Many of these machines in customers' locations directly to facilitate the service and in particular the salaries' cashing, such as the Ministry of Finance, the Ministry of Education and the Ministry of New Urban Communities.

Expanding the customers base needed to provide new banking products in the form of cumulative certificates of deposit, specialized funding programs such as the doctors' program. In addition to other various programs to serve the customers and attract new ones.

Several adjustments have been carried out to prices of banking services and the credit policy, thus improving the competitive position of the bank to attract more customers to increase the Bank's

share of the market in all banking services.

With respect to the Bank in granting loans and credit facilities, the credit activity has received great interest. It was reviewed and updated, and specialized training courses were increased, the credit data base was developed, and credit risk analysis was improved. The expansion included several axes:

- financing new activities.
- Expanding the credit portfolio with developing detailed and analytical data base that assisted managing and following-up the credit portfolio, in addition to the purification of the portfolio from bad debts and making the necessary adjustments like liberating provisions. On the other hand, getting detailed periodic data for the Central Bank with the required accuracy and speed. So the database was developed to all needs.
- The application of conservative policies of credit portfolio, the allocation of risk and evaluating credit performance.
- The application of the latest systems of the government in line with the requirements of transparency and disclosure.

In the area of diversifying and development of investment sources, the Bank's investment fund has been established. Despite the negative repercussions of the global financial crisis on the financial markets, the investment fund of Housing and Development Bank has managed to maintain a limited decrease in its certificates' value.

In the area of human resources and administrative affairs, the bank was keen to further strengthen the manpower and refine their skills:

- There was an expansion in the field of advanced training to workers through the training center of the bank which reflects the Bank's attention to the continuous training of employees, as well as by the Egyptian Banking Institute and a variety of other various training centers. Training hours reached more than 71 thousand hours covering all areas of banking, administration, marketing and customer service .This was 3336 training opportunities that were estimated as double what was achieved during 2007.
- The number of employees in the Bank on 31/12/2008 was (2478) as the Bank hired an outstanding youth of fresh graduates who have all kinds of advanced education, possess the competence and proficiency in foreign languages, which have become an essential and urgent need for the progress of the rapid global developments and foreign competition.

7

The bank has intensified the training on customer service skills, contracted with a company specialized in the measurement of service quality and submission of regular reports that led the branches to raise the level of the service in a professional way. Surveys were published to measure customer satisfaction to all customers in the service delivery sites.

The quality of customer service measurement was within the components of the quarterly evaluation of the branches because of their importance in improving the level of the performance and to attract more customers.

The attention increased on strengthening the channels of communication between all employees and their seniors to stand on the latest developments in the bank and to transfer the ideas of the senior management to the bank's employees through its regular meetings at multiple levels.

And to promote the employee's loyalty, improve the social level, reward hard workers and link work to production, the board of directors of the bank has approved to expand in the award of merit bonuses for employees of various job grades.

During the year 2008, promotions and job adjustments for the various managerial levels took place as a contribution to the retention of skilled personnel, including all branches and divisions of the bank.

Based on the extraordinary general assembly decision on 5/11/2007 to allocate 5% of the shares of the bank's capital increase amounting to 60 million shares of nominal value for the bank's employees plus expenses release (rewarding and motivating staff program) with the mandate of the board of directors of the bank in setting the rules, regulations and foundations for the organization of this program, and as approved by the capital market authority, which helps to raise the degree of employee's loyalty and the retention of competencies employees .

Many working policies and systems were updated to work in tandem with the steady growth in size of the bank's business and the diversity of its activities and services.

A high committee was set up for work systems that combined different fields of specialization. In addition to that, the bank conducted extensive and in-depth studies for the development of the computer system. A specialized company in computer systems was established to complete those studies, development, and using the surplus of operational capacity and storage of other groups which gain a large portion of the cost of development and ensures continuous technical support for the systems introduced by the bank .

Expansion of services in the field of the call center by establishing sub-service communication points for the card center because of the great expansion of its activity.

To strengthen the administrative systems based on the risk management, the bank has focused its attention on the quick compatibility with the decisions of the Basel by providing advanced technical training for employees of both the Risk Management Division and the executives and supporting researches and development studies based on the measurement of credit risk and the formation of a specialized committee of high level of risk to control the completion of the infrastructure in this area.

8

As for the housing activity, the bank's investments has increased in the housing activity to become 386 million Egyptian pounds, an increase of 1.3% in 2007 the implementation of the projects of El\_Mehwar El\_Markazy in the 6th of October city and Opera city in sheikh zayed were completed and the implementation of El\_Obour project started as well as the fifth compound and the completion of the project of Opera city in sheikh zayed (337) units in different projects were allocated and sold.

In the context of the main purpose of the establishing the bank which is the assistance in solving the housing problem, the delivery of the country's service- particularly the housing – to all citizens through a network of the bank's branches, its management and electronic ability . The bank has continued to strengthen its role towards the community in the field of housing, and in helping to complete the national housing project in accordance with the election program of the President in the governorates of Fayoum, Sohag, Assuit and Giza.

The Bank has expanded in this role taking the responsibility for all administrative and financial issues for the project of "Ebny Baytak" and the Bank is still going on in completing that task and has spared no effort in providing experience and funds in the form of housing loans to customers who wish to obtain housing units in the supplementary projects for the national project which is implemented by specialized companies that recognize their social responsibility.

This is for the establishment of additional units of the national project to provide multiple levels for the different classes of youth. The Bank signed a protocol with Orascom Cooperative Housing Company with which 500 units were allocated within the company's projects . The Bank provided the experience and support for the company to help it in those types of projects in the coming years.

In the context of the social role of the Bank, there was an increase in the funding granted to small and micro projects in collaboration with the Social Fund . The Bank issued a new system of financing medium –sized projects to start operating with it from 2009 in order to strengthen the economic activity and to provide job opportunities for the youth in addition to the diversity of the credit portfolio of the Bank .

Also the social role included humanity aspects. As the Bank contributed to the campaign for the Children's Cancer Hospital 57357 , and by inviting customers to donate through the Bank by facilitating the procedures for those who wish to donate , through sending invitations with the payroll accounts as well as the branches , where all the procedures are completed once the customer signed and determined the amount of the donation.

The Bank's board of directors also approved on the donation to the Food Bank by the amount of 250 thousand Egyptian pounds . Also the expansion of the Bank in its network of branches( 47 branches + 8 collection offices) in the context of delivering its services all over the country because of the nature of its activities and particularly the housing and national projects which facilitates and reduces the hardships for customers and to take advantage of the services provided by the country as well as the Bank.

**The Bank's activities during the year had good results that were reflected on:**

- The rate of the Bank's capital adequacy raised from 14.3% in 2007 to 16.3% underscoring the strength of the Bank's financial position and capital base, which will be strengthened further, following the launch of the second tranche of the capital increase .
- Broadening the investments' base in specialized companies that integrate with the activity of the Bank. The Bank has contributed to many companies that form the integrated system achieving diversity, integration, distribution of the risk and increasing the profitability through the establishment of such companies to provide various services to allocate each of them in a specific area to ensure its progress to the highest technical levels, achieving the ability of competitiveness and to provide the highest level of service to the Bank.

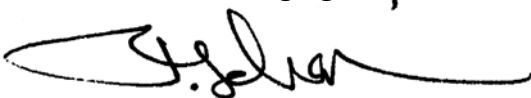
9

There is no doubt that the achievements of Housing and Development Bank were easily accomplished by the Board of Directors, committees of assessments, the fruitful cooperation between the board and the executive management, and the full support of the Engineer and the Minister of Housing , Utilities and Urban Development, Dr. Governor of the Central Bank of Egypt, which reflected on the effort of employees who have spared no effort or time for the progress of our dear Bank.

So I am pleased to conclude by thanking my colleagues, the members of the board and the Bank employees on the great effort that resulted in all of these.

In addition, I have to express my thanks and appreciation to Mr. Engineer and the Minister of Housing, Utilities and Urban Development, as well as Dr. Governor of the Central Bank of Egypt on the sincere cooperation and continued support and care for the interests of the Bank.

**Chairman and Managing Director,**



**Fathy El- Sebai Mansour**

# Management

# Shareholding Structure

	Share of unit	Share of sector
<b>Financial organizations</b>		<b>52.66%</b>
Misr Insurance Company	25.72%	
Others	26.94%	
<b>Non Financial Organizations</b>		<b>47.34%</b>
New Urban Communities Organization	22.49%	
Houses Financing Fund	12.71%	
Egyptian Awkaf Organization	11.74%	
Misr Development Company	0.40%	
<b>Total</b>		<b>100%</b>

# Board of Directors

Mr. Mohamed Fathy El-Sebai Mansour	Chairman and Managing Director Representative of New Urban Communities Organization
Mr. Esam Mohamed Mahmoud Abu Hamed	Vice Chairman Representative of Collegueship Fund of Employees of Housing and Development Bank
Eng. Sawsan Ibrahim El-Shorbugy	Representative of New Urban Communities Organization
Eng. Mohamed Magd-El-Din Ibrahim	Representative of Housing Financing Fund
Eng. Hussein Mahmoud Gafar El-Gibaly	Representative of New Urban Communities Organization
Mr. Safwat Mahmoud Ghanem	Representative of New Urban Communities Organization
Eng. Fouad Madbouly Mohamed	Representative of Housing Financing Fund
Mrs. Amna Ahmed Ali	Representative of Egyptian Awkaf Organization
Mr. Amr Nabil Shetta	Shareholder
12 Mr. Ali Salem Hamza	Representative of Misr Development Company
Eng. Salah Abdou Gomaa El-Genedy	Representative of Egyptian Awkaf Organization
Mr. Hussein Maged Abaza	Representative of Commercial International Bank (Egypt)
Mr. Moustafa Tamim Tammam	Representative of Misr Insurance Company
Mr. Hisham Ibrahim Mohamed	Representative of Misr Insurance Company
Mr. Medhat Mohamed Khalil Afifi	Representative of Egyptian Reinsurance Company

# The Division Heads and Zones

Mr. Samir Soliman Ahmed Naser	Financial
Mr. Ashraf Mohamed El-Bassiouny Hegazy	Marketing
Mr. Abd El Rahman Abd El Baset	Central Operations
Mr. Adel Ahmed Talaat Mohamed	Control
Mrs. Thanaa Mohi El-Din Snosy El-Garhy	Planning and Financing
Mr. Yousry Mohamed Saleh Ahmed	Administration
Mrs. Nawal Mohamed Zahran	Information Technology
Eng. Ali Ibrahim Ali El-Zoghby	Engineering Affairs
Eng. Mohamed Abd EL-Moneim Refei	Technical Affairs
Mr. Essam Hassan El-Sayed Gouda	Human Resources
Mr. Hussein Mohamed Hussein Ismail	Credit Risk Management
Eng. Sherifa Saad Allah Medwar	Real Estate
Mr. Mohamed Ibrahim El Azabawy	First Zone (South Cairo Branches)
Mr. Adel Mohamed Abd El Mohsen Sultan	Second and Third Zone (East and North Cairo Branches)
Mr. Ahmed Mohi El-Din Megahed	Forth Zone (West Cairo Branches)
Mr. Moamen Mahmoud Zaki Ibrahim	Sixth Zone (Upper Egypt Branches)
Mr. Ahmed Raafat Badran	Seventh Zone (Canal & North Sinai Branches)
Mr. Moataz Mamdouh Hosni	Fifth Zone (Lower Egypt Branches)
Mr. Mahmoud Atteya Abd El-Aziz Aettya	Nasr City Branch
Mr. Hussein Moustafa Kamal El-Gendy	Main Branch

# **Housing and Development Bank Group**

# Auditors' Report

## To The Shareholders of Housing and Development Bank (Group) (Egyptian Stock Company)

### Report on the consolidated financial statements:

We have audited the accompanying consolidated financial statements of Housing and Development Bank (Egyptian Stock Company) which comprise the consolidated Balance Sheet as on December 31, 2008, as well as the consolidated statements of Income, Cash Flows and Changes in Shareholder's Equity for the financial year ending on this date and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the consolidated financial statements:

These consolidated financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Central Bank of Egypt rules pertaining to the preparation and presentation of financial statements issued on June 27, 2002 and its amendments including amendments that relates to financial investments issued on December 16, 2008 and in the light of the prevailing Egyptian Laws, Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditors responsibility:

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on auditing and in the light of the prevailing Egyptian Laws. Those standards require that we comply with ethical requirements and plane and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosure in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion:

In our opinion the consolidated financial statements referred to above present fairly, in all material respects the consolidated financial position of Housing and Development Bank as on December 31, 2008 and of its financial performance and its cash flow for the year ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on June 27, 2002 and its amendments including amendments that relates to financial

investment issued on December 16, 2008 and the Egyptian Laws and Regulations relating to the preparation of these consolidated financial statements.

**Report on other legal and regulatory requirements:**

The bank maintains proper books of account which include all that is required by law and by the status of the bank, the consolidated financial statements are in agreement thereto.

Cairo: 5/3/2009

Auditors

Moustafa Hassan Farag  
KPMG Hazem Hassan  
Public Accountants and Consultants

Rashad Housni  
Mostafa Shawki (Mazars).  
Public Accountants and Consultants

# Balance Sheet

For the financial year ended 31/12/2008

(Egyptian Pounds)	Note	31/12/2008	31/12/2007
<b>Assets</b>			
Cash and balances at The Central Bank of Egypt	5	495 355 998	618 877 713
Balances at banks	6	1 114 487 450	3 098 656 984
Treasury bills and other commercial papers	7	635 438 431	85 228 636
Financial investments for trading purpose	8	448 192 099	456 584 126
Customers' Loans (after deduction of provision)	9-10	5 181 293 783	4 701 535 803
<b>Financial investments :</b>			
- available for sale	11	85 913 607	64 425 758
- kept till maturity date	11	679 747 807	795 773 422
Financial investments in affiliated and joint venture companies	12	116 119 007	71 987 440
Housing Projects (after deduction of provision)	13	637 257 273	621 251 461
Debit balances and other assets (after deduction of provision)	14	245 679 463	231 950 245
Fixed assets (after deduction of accumulated depreciation)	15	82 915 665	74 936 645
<b>Total Assets</b>		<b>9 722 400 583</b>	<b>10 821 208 233</b>

<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Balances due to banks	16	688 737	100 680 489
Customers' deposits	17	5 187 620 343	4 787 367 931
Credit balances and other liabilities	18	1 382 137 654	2 804 155 561
Dividends creditors		82 993	112 618 746
Long term loans	19	1 961 969 512	2 147 559 664
Other provisions	20	188 143 750	201 165 204
Deferred taxes liabilities	21	271 364	306 151
<b>Total Liabilities</b>		<b>8 720 914 353</b>	<b>10 153 853 746</b>

<b>Shareholders' Equity</b>			
Paid-up capital	22/A	670 000 000	550 000 000
Reserves	22/B	76 171 719	72 146 165
Unrealized loss for financial investments available for sale		(2 625 255)	----
Retained earnings		36 987 245	32 559 871
<b>Total Shareholders' Equity</b>		<b>780 533 709</b>	<b>654 706 036</b>
Net Profit for the year		201 170 671	----
<b>Total Shareholders' Equity and Net Profit for the year</b>		<b>981 704 380</b>	<b>654 706 036</b>
Minority Rights		19 781 850	12 648 451
<b>Total Liabilities, Shareholders' Equity and Minority Rights</b>		<b>9 722 400 583</b>	<b>10 821 208 233</b>

<b>Contingent liabilities and commitments</b>			
Liabilities against Letters of Guarantee,			
Documentary Credits and other undertakings	23	190 909 912	168 170 551

• The accompanying notes form an integral part of the financial statement

# Income Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)	Note	31/12/2008	31/12/2007
Return on loans and balances at banks		740 391 900	641 881 360
Return on treasury bills and bonds		111 081 037	181 064 559
		851 472 937	822 945 919
Cost of deposits and borrowing		(547 720 722)	(539 762 257)
<b>Net return</b>		<b>303 752 215</b>	<b>283 183 662</b>
Profits on housing projects	24	70 130 698	99 572 208
Commissions on selling Housing Units		1 138 664	3 972 076
Revenues for managing touristic and real estate assets		1 240 301	-----
Revenues for security and cleaning		2 821 465	-----
Revenues for real estate investment funds		792 803	-----
Revenues for financial and real estate marketing		13 442 902	-----
Bank's share in affiliated and joint venture companies' profits		4 277 045	-----
Commissions and charges on banking services		62 280 280	54 294 073
Profits' dividends	25	4 410 500	4 214 825
Net income of trading	26	7 308 413	48 173 101
Other operations revenues		17 305 677	10 796 540
<b>Net revenues</b>		<b>488 900 963</b>	<b>504 206 485</b>
<b>Less:</b>			
Commissions and charges on banking services		3 986 538	2 947 178
Expenses on managing touristic and real estate assets		1 328 779	-----
Expenses on security and cleaning		2 073 665	-----
Expenses on financial and real estate marketing		10 340 694	-----
Provisions		4 810 000	86 399 606
Financial investments' losses		308 958	1 921 757
Administrative and general expenses, depreciation and amortization		263 771 049	202 837 177
Other operation expenses		188 220	20 038 579
<b>Activity Profits:</b>		<b>202 093 060</b>	<b>190 062 188</b>
Profits unrelated to the activity		368 632	215 007
<b>Net profits for the year before taxes</b>		<b>202 461 692</b>	<b>190 277 195</b>
Income tax		(701 556)	(580 000)
Deferred tax	21	34 787	(18 971)
<b>Net profit for the year</b>		<b>201 794 923</b>	<b>189 678 224</b>
<b>Less:</b>			
Minority share in the net profit of the year		624 252	958 126
Majority share in the net profit of the year		201 170 671	188 720 098
		<b>201 794 923</b>	<b>189 678 224</b>

18

• The accompanying notes form an integral part of the financial statement

# Cash Flows Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)	31/12/2008	31/12/2007
<b>Cash flows from operations activities</b>		
Net profits for the year before taxes	202 461 692	190 277 195
Alterations to settle net profits with cash flows from operation activities		
Depreciation and amortization	14 307 114	17 935 704
Provisions	4 810 000	86 399 606
Evaluation differences of financial investments for trading purpose	282 484	(41 756 128)
Financial investments' losses	308 958	1 921 757
Utilized from provisions except loans provision	(9 587 994)	(736 377)
Written off provisions	(11 000 000)	(562 810)
Bank's share is affiliated and joint venture companies' profits	(4 277 045)	---
Paid for settlement of claims	(9 000 000)	---
Profits on selling fixed assets	(368 632)	(215 007)
Evaluation differences of foreign currencies provisions	----	(187 881)
Minority Rights	(624 252)	(958 126)
<b>Operating profits before changes in assets and liabilities resulting from operation activities</b>	<b>187 312 325</b>	<b>252 117 933</b>
Net decrease (increase) in assets		
Deposits at banks	1 467 778 321	(2 201 941 630)
Financial investments for trading purpose	8 109 543	9 727 905
Treasury bills with maturity exceeds three months	(256 275 000)	-----
Customers' loans	(458 603 980)	(541 759 180)
Housing projects	(15 649 995)	(286 926 469)
Debit balances and other assets	(23 480 941)	(25 752 431)
<b>Net increase (decrease) in liabilities:</b>		
Balances due to banks	(99 991 752)	100 065 380
Credit balances and other liabilities	(1 423 403 582)	1 538 627 172
Minority Rights	7 133 399	12 648 451
Customers Deposits	400 252 412	(21 817 398)
<b>Net cash flows utilized in operation activities (206 819 250) (1 165 010 267)</b>		
<b>Cash flows from investment activities</b>		
Payments for purchasing financial investments in affiliated and joint venture companies	(42 950 000)	(4 169 440)
Financial Investments available for sale	(26 326 997)	(16 521 105)
Received from selling fixed assets	368 632	215 007
Purchase of financial investments kept till maturity	(5 000 000)	----
Received from the redemption of financial investments kept till maturity	124 882 033	224 584 173
Payments to purchase fixed assets and furnishing branches	(22 286 143)	(26 379 348)
<b>Net cash flows resulting from investment activities 28 687 525 177 729 287</b>		

(Egyptian Pounds)	31/12/2008	31/12/2007
Cash flows from financing activities		
Long term loans	(185 590 152)	(153 842 224)
Capital increment	129 644 656	62 894 778
Profit Paid dividends	(111 900 912)	40 936
<b>Net cash flows utilized in financing activities</b>	<b>(167 846 408)</b>	<b>(90 906 510)</b>
<b>Net decrease in cash and cash equivalent during the year</b>	<b>(345 978 133)</b>	<b>(1 078 187 490)</b>
Cash and cash equivalent balance at the beginning of the year	1 245 039 233	2 323 226 723
<b>Cash and cash equivalent balance at the end of the year</b>	<b>899 061 100</b>	<b>1 245 039 233</b>
<b>Cash and cash equivalent are represented in:</b>		
Cash and balances at the Central Bank of Egypt	495 355 998	618 877 713
Balances at banks	1 114 487 450	3 098 656 984
Treasury bills and other commercial papers deductible at the Central Bank of Egypt	635 438 431	85 228 636
Deposits at banks	(1 089 945 779)	(2 557 724 100)
Treasury bills with maturity exceeds three months	(256 275 000)	-----
<b>Cash and cash equivalent</b>	<b>899 061 100</b>	<b>1 245 039 233</b>

# Changes in Shareholder's Equity Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)

	capital	Legal Re-serve	General Reserve	Special Re-serve	Other Re-serves	Non recog-nized losses for financial investments for sale	Retained Earnings	Net profit of the year	Total
Balance on 31/12/2006 as previously issued	500 000 000	—	—	6 153 306	4 020 186	—	5 395 728	110 107 278	625 676 498
Effect of adjusting accounting standards	—	—	—	3 741 558	—	—	—	—	3 741 558
Balance on 31/12/2006 after adjustment	500 000 000	—	—	9 894 864	4 020 186	—	5 395 728	110 107 278	629 418 056
Profit dividends for 2006	—	—	—	—	—	—	—	(47 212 500)	(47 212 500)
Transferred to reserves and retained earnings	—	5 498 414	57 000 000	—	138 999	—	257 365	(62 894 778)	—
Balance on 1/1/2007 (after dividends)	500 000 000	5 498 414	57 000 000	9 894 864	4 159 185	—	5 653 093	—	582 205 556
Transferred from general reserve to capital	50 000 000	—	(50 000 000)	—	—	—	—	—	—
Net profit for the year 2007	—	—	—	—	—	—	—	188 720 098	188 720 098
<b>Balance on 31/12/2007</b>	<b>550 000 000</b>	<b>5 498 414</b>	<b>7 000 000</b>	<b>9 894 864</b>	<b>4 159 185</b>	<b>—</b>	<b>5 653 093</b>	<b>188 720 098</b>	<b>770 925 654</b>
Balance on 31/12/2007 as previously issued	550 000 000	5 498 414	7 000 000	6 153 306	4 159 185	—	5 653 093	188 720 098	767 184 096
Effect of adjusting accounting standards	—	—	—	3 209 238	—	—	—	—	3 209 238
Balance on 31/12/2007 after adjustment	550 000 000	5 498 414	7 000 000	9 362 544	4 159 185	—	5 653 093	188 720 098	770 393 334
Profit dividends for 2007	—	—	—	—	—	—	—	(112 478 060)	(112 478 060)
Transferred to reserves and retained earnings	—	9 120 253	40 000 000	—	215 007	—	26 906 778	(77 720 098)	—
Balance on 1/1/2008 (after dividends)	550 000 000	14 618 667	47 000 000	9 362 544	4 374 192	—	32 559 871	—	657 915 274
Capital increment	120 000 000	—	—	—	—	—	—	—	120 000 000
Effect of Adjusting accounting standards	—	—	—	(17 578)	—	—	—	—	(17 578)
Remaining expenses of shares issuance	—	—	—	—	833 894	—	—	—	833 894
Non recognized losses for financial investments for sale	—	—	—	—	—	(2 625 255)	—	—	(2 625 255)
Investment settlements in affiliated and joint ventures companies	—	—	—	—	—	—	4 427 374	—	4 427 374
Net profit for the year 2008	—	—	—	—	—	—	—	201 170 671	201 170 671
<b>Balance on 31/12/2008</b>	<b>670 000 000</b>	<b>14 618 667</b>	<b>47 000 000</b>	<b>9 344 966</b>	<b>5 208 086</b>	<b>(2 625 255)</b>	<b>36 987 245</b>	<b>201 170 671</b>	<b>981 704 380</b>

# Complementary explanations for the financial statements

for the year ended 31/12/2008

## 2. The most important accounting policies applied

### 2-1 Basis of preparing the financial statements

The financial statements are prepared in accordance with the Central Bank of Egypt regulations issued on 27th June 2002 and its amendments in addition to amendments made to the financial investments issued on 16th December 2008 and in accordance with the related Egyptian Laws and Regulations.

As a result of applying new policies the Egyptian banks were forced to apply the variables related to the financial investments when preparing the financial statements for the year 2008 and to amend the comparison figures to comply with the new requirements. All other law's regulations with the applied on the financial statements started 1st January 2008. The Bank's management applied the Central Bank of Egypt regulations in this respect and amended the comparison figures of 2007 to comply with the new policies.

#### (A) The most significant variables starting 1st January 2008 were:

The available for sale investments measurements have been changed from the lower cost (taking into consideration the foreign exchange revaluation) or fair value with the differences to income statement to fair value with changes to equity. The reclassifications appear on the statement of changes in shareholders equity and the adjustments related to the previous years have been done retrospectively. Although, starting from 1st July 2008 the bank has got the right to exclude some of the financial assets from both the financial assets available for sale and that kept for trading purpose with the fair value in the date of transferring it did not perform any transaction in this respect during said period.

#### (B) The most significant variables starting 1st January 2010 will be:

Revealing requirements related to policies and procedures of financial risk management and capital adequacy management and other explanatory items.

Method of measuring diminishing loans and other debt instruments that used to be measured by the amortized cost and replacement of the general provision for loans by total provisions for the groups of assets that have credit risk with similarities.

Transferring the surplus in the outstanding provisions as on 1st January 2009 to the special reserves in the shareholders equity.

#### C- Consolidation basis of the financial statements:

##### Affiliated joint venture companies:

The consolidated financial statements are consisting of the financial statements of the bank and its affiliated joint venture companies. Those companies that the Bank control directly or indirectly by monitoring the financial and operation polices aiming to achieve the benefits from their activities. For the purpose of specifying the monitory operation , the following items are taken into consideration :

- The bank's ability to control more than half of the voting rights in this companies.
- The bank's authority to nominate or retire most of the Board of Directors' members .
- The Bank's authority over most voters in the meeting of the Board of Directors of these companies.
- The financial statements for the affiliated joint venture companies are consolidated in the financial

statements of Housing and Development Group since the date of control till the date in which the bank stops maintaining this right .

**As on 31st December 2008 the bank directly and indirectly owns the following shares in its affiliated joint ventures:**

<b>Company name</b>	<b>Direct/indirect sharing percentage</b>
Holding Company for Investment and Development	90
Development and Housing Company for Real Estate Investment	94.20
Al-Taamir Company for Security and Environment	84.90
Al-Taamir Company for Tourism and Real Estate Assets Management	61.60
Al-Taamir Company for Real Estate Investment Funds	69.60
Al-Taamir Company for Financial and Real Estate Marketing	93

### **The Consolidation Procedures :**

When preparing the consolidated financial statements, the bank accumulated the financial statements of the holding company together with that of the affiliated companies by adding similar items of assets, liabilities, shareholders equity, revenues and expenses so that the accumulated financial statements show all the financial information of the group as one entity .

The following steps are taken when preparing the consolidated financial statements :

The ledger value for investments of the holding company are excluded after being amended according to shareholders equity method in each affiliated company.

Minority rights in the net profit / loss of the affiliated companies are determined during the year of the report.

Minority rights in the net consolidated assets of the affiliated companies are determined and shown separately in the financial statements .

Eliminating all balances and transactions between the bank and the group companies.

The proportional consolidations are used in consolidating method companies under joint control .

When the minority rights from losses of affiliated companies exceeds their shareholders equity, this loss in addition to any other losses related to them are charged to majority rights except those which are mandatory to bear. If the affiliated company recorded profits in future then this profit will be added to the majority rights to the extent that was previously charged.

### **2-2 Transactions in foreign currencies**

The bank maintains its accounts in Egyptian Pounds and transactions in foreign currencies conducted during the period are recorded at the foreign exchange rates prevailing at the time such transactions take place.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the balance sheet date. Currency translation differences on all monetary financial assets and liabilities are reported in the income statement in the following items:

Net trading income or net income arising from financial instruments originally classified as change in fair value through profit and loss for financial assets/liabilities held for trading or originally recorded at fair value through profit and loss.

Other operating income (loss) for other items.

The changes in fair value arising from monetary financing instruments classified as monetary items foreign currencies as available for sale (debt instrument) should be segregated to revaluation differences arising from changes in the amortized cost to be recorded in income from loans and the differences arises from foreign exchange rate changes to be recorded in other operating income and differences arises from change in fair value to be recorded in fair value reserve for available for sale investment.

Translation differences on non-monetary items (equity securities) held at fair value through income are also reported through income statement whereas for those classified as available for sale are recorded directly in equity within fair value reserve for equity securities.

## **2-3 Financial assets**

The bank classifies the financial assets among the following groups:

Financial assets designated at fair value through profit and loss. Loans and debts, financial investments kept till maturity and financial investments available for sale are classified upon initial recognition.

### **2-3-1 Financial assets designated at fair value through profit and loss**

Consists of financial assets held for trading purpose and financial assets that the bank upon initial recognition designates to be measured at fair value with changes reported in income.

Financial instruments held for trading purpose are those that the bank holds primarily for the purpose of short term profit-taking or if it represents a part of specified financial instruments portfolio and there is an evidence of short term profit taking. Also derivatives are classified as held for trading purpose unless they are qualified under hedging accounts.

Financial assets designated as fair value through profit and loss are recognized when it relates to an investment portfolio that are managed and evaluated on a fair value basis according to the investments strategies and the risk management and have been reported to the senior management according to the basis.

Any derivative or financial instrument that designated to be measured at fair value with changes through profit and loss is not classified during the period from the group of financial instruments if it is initially classified as change in fair value through profit and loss.

24

### **2-3-2 Loans and debts**

**Non derivative financial assets with fixed or determinable amount that are not current in active market except:**

Assets that the bank intend to sell soon, in this case will be classified as assets with trading purpose, or that classified originally with the fair value through profit and loss.

Assets that the bank classified as available for sale assets that the bank can not refund its original investment value for reasons except credit worthiness.

### **2-3-3 Financial investments kept till maturity**

Financial investments kept till maturity are non derivative assets with fixed or determinable amount and fixed maturity that the bank management has the ability and the intent to hold it for the foreseeable future or maturity. Any sales of a significant amount not close to their maturity except in the emergency cases would result in the reclassification of all financial investments kept till maturity as available for sale. This also includes certificates of investment funds that the bank (as the establisher of the fund) has to keep till maturity.

### **2-3-4 Financial investments available for sale**

Non derivative financial assets that the bank intends to keep for indefinite period and may be sold to cover shortage in liquidity or due to change in interest, exchange rate or shares price.

For the financial assets, the following has to be applied:

- For the assets classified at fair value through profit and loss, kept till maturity investments and available for sale investments buying and selling operations are recognized as usual on the trade date which is the date that the bank is committed to buy or sell the financial asset.

- A financial asset that does not originally classify at fair value through profit and loss is initially recognized at fair value plus transaction costs. A financial asset that is originally classified at fair value through profit and loss is initially recognized at fair value only and the transaction cost are transferred to income statement in net income for trading purpose.
- A financial asset is derecognized when the rights to receive cash flows have expired so the bank has transferred substantially all the risks and rewards of ownership.
- Available for sale investments and financial assets designated at fair value through profit and loss are subsequently held at fair value whereas held to maturity investments are measured at amortized cost using the effective interest rate method.
- Profit and losses arising from changes in the fair value of available for sale assets should be recognized directly in equity, through the statement of changes in shareholders equity until the financial asset is sold, collected or otherwise disposed of at which time cumulative profit or loss previously recognized in equity should be recognized in income statement.
- Monetary assets' interest income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investment are recognized in the income statement. Available for sale equity instruments related dividends are recognized in the income statement when they are declared.
- Fair values are obtained from quoted market price in liquid market where no active market exists or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques including discounted cash flow and other pricing methods. Inputs to pricing method are generally market based when available and taken from reliable external data sources. If the range of reasonable fair value estimates is significant and the probabilities of the various, estimates cannot be reasonably assessed, an entity may measure the equity instrument at cost minus any impairment losses. Debt instrument can be reclassified from the available for sale investments to held to maturity investments at fair value when the bank has the intention and ability to hold to maturity.

Any related profits and losses that was previously recognized in equity are treated as follows:

Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method in case of impairment the profits and losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.

Profits and losses related to financial assets without fixed or determinable maturity are held in equity till selling or dispose the asset then removed from equity and recognized in the income statement. In case of impairment the profits and losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.

#### **2-4 Netting:**

- Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if there is a currently enforceable legal right to set off the recognized amount and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.
- Treasury Bills Repos and Reserves Repos agreements are netted on the balance sheet in "Treasury bills and other commercial papers".

#### **2-5 Repos and Reverse Repos transactions:**

Repos and Reverse Repos agreement are eliminated (recorded) on the balance sheet under "Treasury bills and other commercial papers" whereas its cost (revenue) is recorded in "interest received from treasury bills and bonds" item In income statement using the effective interest rate method.

## 2-6 Financial instruments' derivatives

Derivatives are measured initially at fair value and subsequently re-measured at fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

## 2-7 Impairment of financial assets

**2-7-1** The bank assesses at each balance sheet date whether there is objective evidence that financial asset of a portfolio of financial assets is impaired. A financial asset of portfolio of financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss event that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial assets or the portfolio that can be reliably estimated.

Objective evidence that financial asset or a portfolio is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulties that faces the lender or the borrower.
- Not applying loan terms.
- Probability that the borrower will enter bankruptcy or other financial reorganization.
- Impairment of the competitive situation of the borrower.
- Due to economical or legal factors that is related to financial difficulties of the borrower, the bank offered him unusual privileges.
- Impairment of the guarantee value.
- Impairment of the credit situation.
- The impairment losses for group of the financial assets are incurred if there is objective evidence with measurable decrease in expected future cash flow in said group from the first recognition despite the fact that this decrease can not be specified for each asset separately. Example of this the increase in cases of failed payment for one of the banking products.
- The bank estimates the period between the loss event and recognizing it for each portfolio that ranges between three to twelve months, and whether there is objective evidence for impairment for each financial asset if it has a significant value.

26

### 2-7-2 Financial investment available for sale:

The bank assesses at each balance sheet whether there is any objective evidence that a financial asset or group of financial assets under available for sale investments is impaired. In the case of equity instruments classified as available for sale a significant decline in the fair value of the security below its cost is considered in determining whether the impairment exists.

From 1st July 2008 till 31st December 2008 and according to the Central Bank of Egypt regulations dated 16th December 2008, the decline in the market value was not considered impairment.

From 1st January 2009 the decline in equity instrument is considered significant if it reaches 10% of the cost of the financial instrument and if it continued more than nine months the accumulated loss is transferred from equity instrument to the income statement and it is not refunded even if there is increase in the fair value, but if the fair value of the debt instruments classified available for sale increased the impairment is refunded in the income statement.

### 2-7-3 Provision loans to banks and customers

Provision loans to banks and customers is established on the basis of and appraisal of the identified risk in addition to general percentage from 1 to 5 according to the basis of appraising the customers'

credit worthiness issued by the Central Bank of Egypt on 6th June 2005.  
Provision loans decreases by loans written off and increases by recoveries of loans previously written off.

## **2-8 Treasury bills and other commercial papers**

Treasury bills and other commercial papers are recorded at face value on the balance sheet. The issuance discount is recorded in other liabilities and deducted from the gross treasury bills balance on the balance sheet which are measured at the amortized cost using the effective interest rate method.

## **2-9 Evaluation of investments in affiliated and joint venture companies**

These investments are evaluated at cost and in case of down fall of its fair value, the book value of each investment is adjusted by such down fall and charged to the income statement. In case of an increase in the fair value such increment will be added to the same item in the income statement within the limit of the amount previously charged.

## **2-10 Evaluation of housing projects**

The cost of works under implementation includes the cost of allocated lands for housing projects, the cost of the constructions therein, the borrowing expenses that are capitalized during the borrowing period until related work is finished and all related expenses as works under implementation is considered one of the qualified assets to be charged with the borrowing costs which should be no more capitalized for the finished projects.

Finished housing units are evaluated at the lower of cost or fair value; the fair value is evaluated in the light of detailed studies. In case the fair value is below the cost value, the difference is charged to the income statement under "evaluation differences of housing projects". In case of an increase in the fair value, such increase shall be credited to the income statement within the limits of amounts charged to the income statement in previous financial periods.

27

## **2-11 Impairment of non-financial assets**

Assets with indefinite life (except for goodwill) are assessed at each balance sheet date or more frequently to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review.

An impairment loss is recognized whenever the carrying amount of an asset that generates largely independent cash flows or the cash generating unit to which it belongs exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a free tax discount rate that reflects current market rates and the risks specific to the asset.

## **2-12 Evaluation of assets acquired for settlement of customers' debts**

These assets are recorded in the balance sheet under "Debit balances and other assets" at cost and in case of decrease in the fair value of these assets at the financial statement date, the difference is charged to the income statement and the increase in the fair value should be credited to the income statement within the limits of amounts charged in previous financial periods.

## **2-13 Staff's Privileges:**

**2-13-1** Medical expenses for retired staff are transferred to the income statement. In the past, the bank used to calculate these privileges for both staff and retired ones on the basic payments and real cost on the time of the event.

### **2-13-2 Social insurance:**

The bank is committed to pay shares to the General Organization for Social Insurance only with no other commitments, such share is charged to the income statement for the same year

### **2-13-3 Staff's share in profit**

The bank pays percentage of its profit to the staff as a part of profit distribution in shareholders' equity. No liabilities are recorded in the staff share in non-distributed profit.

### **2-14 Taxes**

- Income tax on the profit or loss for the financial period comprises current and deferred tax and is recognized in the income statement.
- Current tax is expected tax payable on the taxable income for the year using tax rate enacted or substantially enacted at the financial position date.
- Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.  
The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted of the financial position date.
- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **2-15 Contingent liabilities**

28

Contingent liabilities in which the Bank is a party, are recorded off the Balance Sheet under Contingent Liabilities and Commitments, as they do not represent assets or actual liabilities on the date of the Balance Sheet. Provision for contingent liabilities is established on the basis of a general percentages from one to five according to the basis of appraising the customers credit worthiness issued by The Central Bank of Egypt on 6<sup>th</sup> June 2005.

### **2-16 Profit dividends**

Profit dividends is recorded on the financial figures related to the year in which the general assembly approved these dividends. Comparing figures are amended to the effect of these dividends.

### **2-17 Realization of income**

**2-17-1** The bank applies the accrual basis in recording interest receipt from loans and over drafts, due from banks, treasury bills and bonds. Interest on fast due loans are not recorded on the income statement. Dividends income is recognized when declared.

### **2-17-2 Profit dividends revenues**

Profit dividends revenues is recorded on the income statement only when it is deserved.

### **2-17-3 Commissions' revenues**

Revenues from commissions is recorded on accrual basis.

## 2-18 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalents item includes cash balances, balances at The Central Bank of Egypt, balances of current accounts at banks, and treasury bills with maturity of less than three months from the date of acquisition.

## 2-19 Depreciation

Fixed assets (except for land) are depreciated at a fixed installment method using suitable depreciation rates that are determined on basis of the production lifetime estimated for each asset. The installment is calculated from the date of actual usage.

Improvement and renovation expenses for the bank's rented premises are depreciated over the period of the rent contract or the estimated useful life whichever is lower.

## 5. Cash and balances at The Central Bank of Egypt

(Egyptian Pounds)	2008	2007
Cash	119 935 440	257 029 093
Balances at The Central Bank of Egypt in the framework of mandatory reserve	375 420 558	361 848 620
<b>Total</b>	<b>495 355 998</b>	<b>618 877 713</b>

## 6. Balances at banks

(Egyptian Pounds)	2008	2007
<b>The Central Bank of Egypt</b>		
Current accounts	—	507 660 802
Deposits	927 842 333	2 275 549 126
	<b>927 842 333</b>	<b>2 783 209 928</b>
<b>Local banks</b>		
Current accounts	19 070 674	25 058 816
Deposits	63 144 882	212 571 322
	<b>82 215 556</b>	<b>237 630 138</b>
<b>Foreign banks</b>		
Current accounts	5 470 997	8 213 266
Deposits	98 958 564	69 603 652
	<b>104 429 561</b>	<b>77 816 918</b>
<b>Total</b>	<b>1 114 487 450</b>	<b>3 098 656 984</b>

## 7. Treasury Bills and other commercial papers

(Egyptian Pounds)	2008	2007
Treasury bills with 91 days maturity	400 525 000	86 000 000
Treasury bills with 273 days maturity	241 275 000	-----
Treasury bills with 364 days maturity	15 000 000	-----
(-)Unearned income	(21 361 569)	(771 364)
<b>Total</b>	<b>635 438 431</b>	<b>85 228 636</b>

## 8. Financial assets for trading purpose

(Egyptian Pounds)	2008	2007
<b>Debt instruments</b>		
Company bonds	29 574 719	48 722 015
Local companies shares	59 268 036	41 832 439
Financial investments' portfolio managed by others	307 463 194	307 955 717
Investment funds certificates	51 886 150	58 073 955
<b>Total financial assets for trading purpose</b>	<b>448 192 099</b>	<b>456 584 126</b>

## 11. Financial investments

(Egyptian Pounds)	2008	2007
<b>Financial investments available for sale</b>		
Equity instruments unlisted – fair value	63 751 107	64 425 758
Investment funds certificates	22 162 500	-----
<b>Total (1)</b>	<b>85 913 607</b>	<b>64 425 758</b>

<b>Financial investments kept till maturity</b>		
<b>Debt Instruments:</b>		
Listed	674 747 807	795 773 422
Unlisted	5 000 000	---
<b>Total (2)</b>	<b>679 747 807</b>	<b>795 773 422</b>
Total Financial investments (1+2)	765 661 414	860 199 180
Current balance	674 747 807	795 773 422
Non current balances	68 751 107	64 425 758
	<b>743 498 914</b>	<b>860 199 180</b>
Debt instruments with Fixed interest	674 747 807	795 773 422
<b>Total debt instruments</b>	<b>674 747 807</b>	<b>795 773 422</b>

30

	Financial Investments available for sale	Financial investments kept till maturity	Total
Balance on 1/1/2008	64 425 758	795 773 422	860 199 180
Additions	21 871 807	9 009 518	30 881 325
Deduction (selling/recovery)	----	(125 035 133)	(125 035 133)
<b>Less:</b>			
Financial investments losses	(383 958)	-----	(383 958)
Balance on 31/12/2008	85 913 607	679 747 807	765 661 414
Balance on 1/1/2007	49 826 410	1 020 357 595	1 070 184 005
Additions	17 003 525	15 122 999	32 126 524
Deduction (selling/recovery)	----	(239 707 172)	(239 707 172)
Financial investments losses	(2 404 177)	-----	(2 404 177)
Balance on 31/12/2007	64 425 758	795 773 422	860 199 180

## 12. Financial investments in affiliated and joint venture companies

(Egyptian Pounds)	2008		2007	
	Amount	Share%	Amount	Share%
<b>Contribution in the capital of banks and joint venture companies:</b>				
Housing and Development Company for Utilities	8 574 596	35	3 500 000	35
Al-Taamir Company for Mortgage	93 694 411	24.84	64 100 000	24.84
Al-Taamir Company for Assets Management	---	---	2 463 000	61.60
Al-Taamir Company for Security and Cleaning Services	---	---	1 324 440	84.90
Taamir Company for Real Estate Investment Funds	---	---	600 000	24
Eskan Company for Insurance	13 850 000	23.55	---	---
<b>Total</b>	<b>116 119 007</b>		<b>71 987 440</b>	
Financial investments in affiliated and joint venture companies are composed of Financial investments unregistered at the stock exchange	116 119 007		71 987 440	

## 13. Housing projects (net)

(Egyptian Pounds)	2008	2007
<b>(A) Housing projects</b>		
Allocated lands for housing projects *	103 971 862	350 031 613
Works under implementation**	471 683 645	203 339 382
Finished works	59 192 047	65 452 178
Real Estate investments ***	4 460 644	4 835 030
<b>Total</b>	<b>639 308 198</b>	<b>623 658 203</b>
(-) Provision for housing projects	(2 050 925)	(2 406 742)
<b>Housing projects (net)</b>	<b>637 257 273</b>	<b>621 251 461</b>

\* Contracts have been signed for the lands allocated for the housing projects in the name of the Bank in the new cities.

\*\* Borrowing costs amounted EGP 10.90 Million at rate of 8.50%.

\*\*\* One housing unit of El-Bashair project is hired from 1/12/2003 to 30/11/2009

- One unit is hired in the administration building in Nasr City from 1/2/2006 till 31/1/2010 in addition to Nine shops in Casabianca Village.
- Two units in El-Bashair project have been hired from 1/5/2006.
- Two shops and administration unit of Pyramids projects are hired from 1/11/2006.
- One unit of administration building in Nasr city is hired from 1/11/2006.
- Three units in the Central axis project are hired from 1/7/2008.

In accordance with Egyptian accounting standards value of these units are posted to "Real Estate Investments" item in the financial statements and 2.5% depreciation rate is calculated on hiring units and charged to the income statement on 31.12.2008.

#### 14. Debit balances and other assets

(Egyptian Pounds)	2008	2007
Accrued revenues (deposits, loans, investments)	75 054 098	100 121 738
Accrued revenues (subsidy) (*)	18 877 599	16 652 753
Advance payments on account of purchasing of fixed assets	97 446 145	42 691 976
Assets assigned to the bank in lieu of bad debts (**)	3 420 402	13 095 644
Indemnities and petty cash	1 586 207	1 606 802
Various debit balances	53 164 174	61 574 013
	<b>249 548 625</b>	<b>235 742 926</b>
(-) Provision for debit balances	(3 869 162)	(3 792 681)
<b>Total</b>	<b>245 679 463</b>	<b>231 950 245</b>

- \* Represents the amount accrued on Ministry of Finance within the period from 1/7/2008 to 31/12/2008 calculated as the difference between the interest rate on subsidized loans – granted to New Urban Communities Organization and Houses Financing Fund– plus ordinary activity of the bank, and the interest rate on loans granted to the bank from the Central Bank of Egypt plus 1% to 1.5% as margin to the bank in accordance with the economic and social development's plan rules.
- \*\* Represents the value of assets acquired for settlement of debts on Casabianca, BeauRivage Fayed and El-Golf projects, Obour city that amounted to EGP 3.40 million on 31/12/2008.

### 15. Fixed assets (after deduction of accumulated depreciation)

(Egyptian Pounds)

2008	Land	Buildings and establishments	Means of transportation	Equipments and machines	Furniture	Integrated automated systems	Total
Cost at the beginning of the year	7 112 694	89 278 722	7 917 932	51 572 532	14 977 201	81 944	170 941 025
Additions during the year	453 235	4 851 292	1 760 481	11 061 228	3 786 710	373 197	22 286 143
Deductions during the year	----	----	(593 302)	(67)	----	----	(593 369)
Cost on 31/12/2008 (1)	7 565 929	94 130 014	9 085 111	62 633 693	18 763 911	455 141	192 633 799
Accumulated depreciation at the beginning of the year	----	41 504 872	7 119 872	38 429 314	8 930 222	20 100	96 004 380
Depreciation of the year	----	4 513 525	525 900	7 794 321	1 351 319	122 049	14 307 114
Accumulated depreciation of deductions	----	----	(593 294)	(66)	----	----	(593 360)
Accumulated depreciation on 31/12/2008 (2)	----	46 018 397	7 052 478	46 223 569	10 281 541	142 149	109 718 134
Net fixed assets at the end of the year (1)-(2)	7 565 929	48 111 617	2 032 633	16 410 124	8 482 370	312 992	82 915 665
Net fixed assets at the beginning of the year	7 112 694	47 773 850	798 060	13 143 219	6 046 978	61 844	74 936 645

## 16. Balances due to banks

(Egyptian Pounds)	2008	2007
<b>Local Banks:</b>		
Deposits	----	100 000 000
	----	<b>100 000 000</b>
<b>Foreign banks:</b>		
Current accounts	130 779	122 451
Deposits	557 958	558 038
	<b>688 737</b>	<b>680 489</b>
<b>Total</b>	<b>688 737</b>	<b>100 680 489</b>

## 17. Customers' deposits

(Egyptian Pounds)	2008	2007
Demand deposits	599 545 370	635 471 126
Time and Call deposits	1 686 283 664	1 522 303 176
Deposit Certificates	943 231 330	955 664 708
Saving deposits	1 879 380 934	1 617 445 553
Other deposits	79 179 045	56 483 368
<b>Total</b>	<b>5 187 620 343</b>	<b>4 787 367 931</b>

## 18. Credit balances and other liabilities

34

(Egyptian Pounds)	2008	2007
Accrued income	143 826 152	132 616 306
Payments to installments account	466 603 978	209 548 068
Payments to reserve housing units	193 354 180	177 741 451
Creditors to purchase land	221 081 848	227 868 745
Accrued expenses	19 863 894	15 695 129
Accrued for contractors	15 075 574	15 935 008
Cheques under collection and settlement notes	70 895 264	1 830 882 050
Various creditors / collateral values	9 590 587	3 476 588
Liabilities for staff medical care **	18 623 195	20 000 000
Other various credit balances	223 222 982	170 392 216
<b>Total</b>	<b>1 382 137 654</b>	<b>2 804 155 561</b>

•• The balance represents the present value of liabilities for staff and retired medical care on 31/12/2008 determined by the actuarial expert according to the following assumptions:

- The interest rate used as a discount basis was 9% annually.
- The inflation rate for medical care was 3% annually.
- British death schedule A49-52 has been applied.

**Net present value determined by the actuarial expert on 31/12/2008 was as follows:**

Staff	15 529 544
Retired	2 920 611
<b>Total</b>	<b>18 450 155</b>

## 21. Deferred tax

(Egyptian Pounds)	2008	2007
<b>(A) Recognized liabilities resulted from deferred tax:</b>		
<b>Deferred tax liabilities reached EGP 271364 on 31.12.2008. It was calculated as follows:</b>		
Tax depreciation in accordance with income tax law 91/2005:	14 133 179	11 443 568
<b>Less:</b>		
Calculated depreciation in accordance with Egyptian Accounting Standards	14 307 114	11 348 716
Differences of permanent depreciation	173 935	(94 852)
Tax rate	20%	20%
Deferred tax liabilities	34 787	(18 971)
<b>Plus:</b>		
Balance at the beginning of the year	(306 151)	(287 180)
	<b>(271 364)</b>	<b>(306 151)</b>
<b>(B) Unrecognized deferred tax assets:</b>		
Provision for debts	67 276 670	69 616 743
Provision for contingent liabilities	2 392 532	2 235 424
Provisions for legal disputes	3 293 846	3 297 846
<b>Total</b>	<b>72 963 048</b>	<b>75 150 013</b>

These deferred tax assets have not been recognized because there is no possibility to using these assets items in decreasing the deserved taxes on the bank during the coming years.

Deferred tax recorded as an asset is decreased with the value that has no tax benefit during the coming years.

35

## 22. Capital and reserves

### (A) Authorized Capital:

- The authorized capital is EGP 3000 million, the issued and paid-up capital is 670 million totaling 67 million share each with 10 Egyptian Pound as a par value.
- The Bank's extraordinary general assembly approved on 5/11/2007 to increase the authorized capital from EGP 1000 million to EGP 3000 million, and the issued and paid-up capital from EGP 550 million to EGP 1150 million with an increment amounted to EGP 600 million.
- The first phase had been announced on 16/1/2008 with an increment amounted to EGP 120 million at the face value for the original shareholders, and it was completely accomplished and marked on the bank's commercial ledger.
- Further increments in the capital with the fair value will be offered to the public later.

### (B) reserves:

- According to the bank statues' 5% of the net annual profit is to increase the legal reserve until it reaches 20% of the issued and paid-up capital.

Concurrence of the Central Bank of Egypt for usage of special reserve is required.

- Reserves that reached EGP 76.10 million are composed of:
  - EGP 14.6 million as legal reserve.
  - EGP 47 million as general reserve.
  - EGP 9.30 million as special reserve.
  - EGP 5.20 million as other reserves.

### (C) Earning per share:

(Egyptian Pounds)	2008	2007
Net profit	201 170 671	188 720 098
Board of Directors Bonus	(2 500 000)	(2 500 000)
Employees' share	(32 000 000)	(26 000 000)
Shareholders' share	166 670 671	160 220 098
Weighted average for the shares	67 000 000	55 000 000
Earning per share	2.49	2.91

### 25. Profit dividends

(Egyptian Pounds)	2008	2007
Commercial papers available for sale	1 319 115	2 295 250
Commercial papers for trading purpose	3 091 385	1 919 575
<b>Total</b>	<b>4 410 500</b>	<b>4 214 825</b>

### 26. Net income of trading purpose

(Egyptian Pounds)	2008	2007
Profits from foreign exchange	4 141 605	2 322 536
Profits (losses) from revaluing assets and liabilities in foreign currencies	(405 506)	(155 764)
Profits from selling financial investments for trading	3 854 798	4 250 201
Revaluation differences from financial investments for trading	(282 484)	41 756 128
<b>Total</b>	<b>7 308 413</b>	<b>48 173 101</b>

36

### 27. Capital Commitments

**(A) Value of commitments related to financial investments and not required to be settled on the date of the balance sheet amounted to EGP 12343659 as follows:**

(Egyptian Pounds)

	Value of participation	Amount paid	Remaining and not yet required
<b>Financial investments available for sale</b>			
Middle East Fund for Restructuring	40 000 000	38 361 941	1 638 059
<b>Financial investments in banks capital and joint venture companies</b>			
Eskan Company for Insurance	19 800 000	9 900 000	9 900 000
<b>Total</b>	<b>59 800 000</b>	<b>48 261 941</b>	<b>11 538 059</b>

### (B) Fixed assets and branches constructions

Value of commitments related to contracts of purchasing fixed assets and constructions of branches that have not been implemented till balance sheet date amounted to EGP 5 176 612.

## 28. Maturity of assets and liabilities

(Egyptian Pounds)

	Maturity within one year	Maturity within more than one year
<b>Assets</b>		
Cash and balances at the Central Bank of Egypt	495 355 998	-----
Due from banks	1 114 487 450	-----
Treasury bills and other commercial papers	635 438 431	-----
Financial investments for trading purpose	448 192 099	----
Financial investments available for sale	----	85 913 607
Customers' loans	841 783 827	4 339 509 956
Financial investments kept till maturity	93 000 494	586 747 313
Financial investments in affiliated and joint venture companies	----	116 119 007
Housing projects	57 141 122	580 116 151
Debit balances and other assets	144 812 916	100 866 547
<b>Total</b>	<b>3 830 212 337</b>	<b>5 809 272 581</b>
<b>Liabilities</b>		
Due to banks	688 737	----
Customers' deposits	2 365 008 079	2 822 612 264
Credit balances and other liabilities	728 012 894	652 739 085
Deferred tax liabilities	----	271 364
Dividends creditors	82 993	----
Long term loans	142 901 796	1 819 067 716
<b>Total</b>	<b>3 236 694 499</b>	<b>5 294 690 429</b>

The items that have not been mentioned should be read with the complimentary notes of the financial statements of Housing and Development Bank

## **Housing and Development Bank**

# Auditors' Report

## To The Shareholders of Housing and Development Bank (Egyptian Stock Company)

### Report on the unconsolidated financial statements:

We have audited the unconsolidated financial statements of Housing and Development Bank (Egyptian Stock Company) represented by the unconsolidated Balance Sheet as on December 31, 2008, as well as the unconsolidated statements of Income, Cash Flows and Changes in Shareholder's Equity for the financial year ending on this date and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the unconsolidated financial statements:

These unconsolidated financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of financial statements issued on June 27, 2002 and its amendments including amendments that relates to financial investments issued on December 16, 2008 and in the light of the prevailing Egyptian Laws, Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of unconsolidated financial statements that are free from material misstatement whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

39

### Auditors responsibility:

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on auditing and in the light of the prevailing Egyptian Laws. Those standards require that we comply with ethical requirements and plane and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and the disclosure in the financial statements. The procedures selected depend on the auditors judgment including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the unconsolidated financial statements.

### Opinion:

In our opinion the unconsolidated financial statements referred to above present fairly in all material respects the unconsolidated financial position of Housing and Development Bank as on December

31, 2008 and of its financial performance and its cash flow for the year ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statement issued on June 27, 2002 and its amendments including amendments that relates to financial investment issued on December 16, 2008 and the Egyptian Laws and Regulations relating to the preparation of these unconsolidated financial statements.

**Report on other legal and regulatory requirements:**

According to the information and explanation given to us during the financial year ended December 31, 2008 law contravention of the Central Bank of Egypt, Banking and monetary institution rule No. 88 for the year 2008 the bank maintain proper books of account which include all that is required by law and by the status of the bank, the unconsolidated financial statements are in agreement thereto. The unconsolidated financial information included in the Board of Directors' report prepared in accordance with law No. 159 for the year 1981 and its executive regulations is in agreement with the bank's books of account.

Cairo: 5/3/2009

**40**

Auditors

Moustafa Hassan  
KPMG Hazem Hassan  
Public Accountants and Consultants

Farag Rashad Housni  
Mostafa Shawki (Mazars).  
Public Accountants and Consultants

# Balance Sheet

For the financial year ended 31/12/2008

(Egyptian Pounds)	Note	31/12/2008	31/12/2007
<b>Assets</b>			
Cash and balances at The Central Bank of Egypt	5	495 291 587	618 877 713
Balances at banks	6	1 097 726 650	3 098 656 984
Treasury bills and other commercial papers	7	550 900 149	----
Financial investments for trading purpose	8	427 040 985	421 359 043
customers' Loans (after deduction of provision)	9-10	5 181 293 783	4 701 535 803
<b>Financial investments :</b>			
Available for sale	11	63 751 107	63 625 478
Kept till maturity date	11	679 747 807	799 782 940
Financial investments in affiliated and joint venture companies	12	293 827 402	213 435 400
Housing Projects (after deduction of provision)	13	386 170 605	380 928 658
Debit balances and other assets (after deduction of provision)	14	238 152 851	230 413 303
Fixed assets (after deduction of accumulated depreciation)	15	80 226 366	74 045 912
<b>Total Assets</b>		<b>9 494 129 292</b>	<b>10 602 661 234</b>
<b>Liabilities and Shareholders' Equity</b>			
Liabilities			
Balances due to banks	16	688 732	100 680 489
Customers' deposits	17	5 230 965 173	4 805 086 893
Credit balances and other liabilities	18	1 142 701 855	2 589 101 248
Dividends' creditors		82 993	111 139 636
Long term loans	19	1 961 969 512	2 147 559 664
Other provisions	20	188 143 750	201 165 204
Deferred taxes	21	249 920	287 894
<b>Total Liabilities</b>		<b>8 524 801 935</b>	<b>9 955 021 028</b>
<b>Shareholders' Equity</b>			
Paid-up capital	22	670 000 000	550 000 000
Reserves		76 171 719	75 355 403
Retained earnings		22 284 803	22 284 803
Total Shareholders' Equity		768 456 522	647 640 206
Net profit for the year		200 870 835	----
Total Shareholders' Equity and Net Profit for the year		969 327 357	647 640 206
Total Liabilities and Shareholders' Equity		9 494 129 292	10 602 661 234
<b>Contingent liabilities and commitments</b>			
Liabilities against Letters of Guarantee			
Documentary Credits and other undertakings	23	190 909 912	168 170 551

• The accompanying notes form an integral part of the financial statement.

# Income Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)	Note	31/12/2008	31/12/2007
Return on loans and balances at banks		739 564 219	641 881 360
Return on treasury bills and bonds		107 898 678	174 218 528
		847 462 897	816 099 888
<b>Less:</b>			
Cost of deposits and borrowing		551 160 557	540 823 435
<b>Net return</b>		<b>296 302 340</b>	<b>275 276 453</b>
Profits on housing projects	24	70 130 698	99 572 208
Commissions and charges on banking services		62 280 280	54 294 073
Profit dividends	25	14 402 112	7 418 645
Trading income (net)	26	5 113 158	45 482 701
Other Revenues		16 274 025	10 206 484
<b>Net profit for the activity</b>		<b>464 502 613</b>	<b>492 250 564</b>
<b>Less:</b>			
Commissions and charges on banking services		3 984 625	2 947 178
Provisions		4 810 000	86 399 606
Losses of financial investments		534 556	1 921 757
Administrative and general expenses, depreciation and amortization		254 670 473	198 794 389
Other operations expenses		38 730	20 038 579
<b>Activity revenues</b>		<b>200 464 229</b>	<b>182 149 055</b>
Profits unrelated to the activity		368 632	215 007
<b>Net profits before taxes</b>		<b>200 832 861</b>	<b>182 364 062</b>
Deferred taxes		37 974	(1 364)
Net profit for the year		200 870 835	182 362 698
Earning per share		2.48	2.80

42

- The accompanying notes form an integral part of the financial statement.

# Cash Flows Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)	31/12/2008	31/12/2007
<b>Cash flows from operations activities</b>		
Profits for the year before taxes	200 832 861	182 362 698
Alterations to settle profits with cash flows from operation activities		
Depreciation and amortization	13 605 822	11 135 817
Provisions	4 810 000	86 399 606
Evaluation differences of financial investments for trading purpose	653 903	(39 065 728)
Evaluation differences of other financial investments	534 556	1 921 757
Utilized from provisions except loans provision	(9 587 994)	(736 377)
Written off provisions	(11 000 000)	(562 810)
Profits on sale of fixed assets	(368 632)	(215 007)
<b>Operating profits before changes in assets and liabilities utilized in operation activities</b>	<b>199 480 516</b>	<b>241 239 956</b>
Net decrease (increase) in assets		
Deposits at banks	1 484 539 121	(2 201 941 630)
Financial investments for trading purpose	(6 335 845)	9 727 904
Financial investments available for sale	(507 085)	(16 521 105)
Treasury bills and other commercial papers	(224 547 497)	1 616 874 122
Customers' Loans	(458 605 534)	(590 735 835)
Housing projects	(4 886 130)	(46 603 666)
Debit balances and other assets	(26 491 271)	(23 379 520)
<b>Net increase (decrease) in liabilities:</b>		
Balances due to banks	(99 991 757)	100 065 380
Customers' Deposits	425 878 280	(93 107 316)
Credit balances and other liabilities	(1 446 399 394)	1 491 580 931
<b>Net cash flows resulting from operation activities</b>	<b>(157 866 596)</b>	<b>487 199 221</b>
<b>Cash flows from investment activities</b>		
Purchase of financial investments in affiliated and joint venture companies	(80 392 002)	(19 752 400)
Purchase of financial investments kept till maturity	(5 000 000)	(14 795 000)
Received from return of financial investments kept till maturity	124 882 033	239 379 173
Received from fixed assets	368 632	237 178
Payments to purchase fixed assets and furnishing branches	(19 786 276)	(19 242 224)
<b>Net cash flows resulting from (utilized in) investment activities</b>	<b>20 072 387</b>	<b>185 826 727</b>

(Egyptian Pounds)	31/12/2008	31/12/2007
<b>Cash flows from financing activities</b>		
Long term loans	(185 590 151)	(153 842 224)
Capital increment	120 816 316	—
Profit Paid dividends	(111 056 643)	(47 172 614)
<b>Net cash flows resulting from (utilized in) financing activities</b>	<b>(175 830 478)</b>	<b>(201 014 838)</b>
<b>Net increase (decrease) in cash and cash equivalent during the year</b>	<b>(313 624 687)</b>	<b>472 011 110</b>
Cash and cash equivalent balance at the beginning of the year	1 159 810 597	687 799 487
Cash and cash equivalent balance at the end of the year	846 185 910	1 159 810 597
<b>Cash and cash equivalent at the end of the year are represented in:</b>		
Cash and balances at the Central Bank of Egypt	495 291 587	618 877 713
Balances at banks	1 097 726 650	3 098 656 984
Treasury bills and other commercial papers	550 900 149	-----
Treasury bills with maturity exceeds three months	(224 547 497)	-----
Deposits at banks	(1 073 184 979)	(2 557 724 100)
Cash and cash equivalent at the end of the year	846 185 910	1 159 810 597

# Changes in Shareholder's Equity Statement

for the financial year ended 31/12/2008

	capital	Legal Reserve	General Reserve	Special Reserve	Other Reserves	Retained Earnings	Net profit of the year	Total
Balance on 31/12/2006 as previously issued	500 000 000	—	—	6 153 306	4 020 186	—	110 107 278	620 280 770
Effect of adjusting accounting standards	—	—	—	3 741 558	—	—	—	3 741 558
Balance on 31/12/2006 after adjustment	500 000 000	—	—	9 894 864	4 020 186	—	110 107 278	624 022 328
Profit dividends for 2006	—	—	—	—	—	—	(47 212 500)	(47 212 500)
Transferred to reserves and retained earnings	—	5 498 414	57 000 000	—	138 999	257 365	(62 894 778)	—
Balance on 1/1/2007 (after dividends)	500 000 000	5 498 414	57 000 000	9 894 864	4 159 185	257 365	—	576 809 828
Transferred from general reserve to capital	50 000 000	—	(50 000 000)	—	—	—	—	—
Net profit for the year 2007	—	—	—	—	—	—	182 362 698	182 362 698
<b>Balance on 31/21/2007</b>	<b>550 000 000</b>	<b>5 498 414</b>	<b>7 000 000</b>	<b>9 894 864</b>	<b>4 159 185</b>	<b>257 365</b>	<b>182 362 698</b>	<b>759 172 526</b>
Balance on 31/12/2007 as previously issued	550 000 000	5 498 414	7 000 000	6 153 306	4 159 185	257 365	182 362 698	755 430 968
Effect of adjusting accounting standards	—	—	—	3 209 238	—	—	—	3 209 238
Balance on 31/12/2007 after adjustment	550 000 000	5 498 414	7 000 000	9 362 544	4 159 185	257 365	182 362 698	758 640 206
Profit dividends for 2007	—	—	—	—	—	—	(111 000 000)	(111 000 000)
Transferred to reserves and retained earnings	—	9 120 253	40 000 000	—	215 007	22 027 438	(71 362 698)	—
Balance on 1/1/2008 (after dividends)	550 000 000	14 618 667	47 000 000	9 362 544	4 374 192	22 284 803	—	647 640 206
Capital increment	120 000 000	—	—	—	—	—	—	120 000 000
Adjusting accounting standards	—	—	—	(17 578)	—	—	—	(17 578)
Remaining expenses of shares issuance	—	—	—	—	833 894	—	—	833 894
Net profit for the year 2008	—	—	—	—	—	—	200 870 835	200 870 835
<b>Balance on 31/12/2008</b>	<b>670 000 000</b>	<b>14 618 667</b>	<b>47 000 000</b>	<b>9 344 966</b>	<b>5 208 086</b>	<b>22 284 803</b>	<b>200 870 835</b>	<b>969 327 357</b>

# Profit Distribution Statement

for the financial year ended 31/12/2008

(Egyptian Pounds)	31/12/2008	31/12/2007
Net profit for the year (as per the Income Statement)	200 870 835	182 362 698
<b>Less:</b>		
Profits on selling of fixed assets (transferred to the capital reserve in accordance with the provisions of the law)	(368 632)	(215 007)
Net	200 502 203	182 147 691
Retained earnings at the beginning of the year	22 284 803	257 365
Net profit for the year available for distribution	222 787 006	182 405 056
<b>Distributed as follows:</b>		
Legal reserve	10 025 110	9 120 253
General reserve	55 000 000	40 000 000
Shareholders' dividends	100 500 000	82 500 000
Employees' share in the profit	32 000 000	26 000 000
Board of directors' remuneration	2 500 000	2 500 000
Retained earnings	22 761 896	22 284 803
<b>Total</b>	<b>222 787 006</b>	<b>182 405 056</b>

# Complementary explanations for the financial statements

for the year ended 31/12/2008

## 1. Bank's Activity

Housing and Development Bank is an Egyptian Joint Stock Company established on 30/6/1979 as an investment and business bank by virtue of Ministerial Decree No. 147 for the year 1979.

The Bank handles all banking activities related to its nature through the head office in Giza governorate, 47 branches and 8 collection offices.

## 2. The most important accounting policies applied

### 2-1 Basis of preparing the financial statements

The financial statements are prepared in accordance with the Central Bank of Egypt regulations issued on 27th June 2002 and its amendments in addition to amendments made to the financial investments issued on 16th December 2008 and in accordance with the related Egyptian Laws and Regulations.

As a result of applying new policies the Egyptian banks were forced to apply the variables related to the financial investments when preparing the financial statements for the year 2008 and to amend the comparison figures to comply with the new requirements. All other law's regulations with the applied on the financial statements started 1st January 2008. The Bank's management applied the Central Bank of Egypt regulations in this respect and amended the comparison figures of 2007 to comply with the new policies.

#### **The most significant variables starting 1st January 2008 were:**

The available for sale investments measurements have been changed from the lower cost (taking into consideration the foreign exchange revaluation) or fair value with the differences to income statement to fair value with changes to equity. The reclassifications appears on the statement of changes in shareholders equity and the adjustments related to the previous years have been done retrospectively. Although, starting from 1st July 2008 the bank has got the right to exclude some of the financial assets from both the financial assets available for sale and that kept for trading purpose with the fair value in the date of transferring it did not perform any transaction in this respect during said period.

#### **The most significant variables starting 1st January 2010 will be:**

Revealing requirements related to policies and procedures of financial risk management and capital adequacy management and other explanatory items.

Method of measuring diminishing loans and other debt instruments that used to be measured by the amortized cost and replacement of the general provision for loans by total provisions for the groups of assets that have credit risk with similarities.

Transferring the surplus in the outstanding provisions as on 1st January 2009 to the special reserves in the shareholders' equity.

### 2-2 Transactions in foreign currencies

The bank maintains its accounts in Egyptian Pounds and transactions in foreign currencies conducted during the period are recorded at the foreign exchange rates prevailing at the time such transactions take place.

Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the balance sheet date. Currency translation differences on all monetary financial assets and liabilities are reported in the income statement in the following items:

- Net trading income or net income arising from financial instruments originally classified as change in fair value through profit and loss for financial assets/liabilities held for trading or originally recorded at fair value through profit and loss.
- Other operating income (loss) for other items.

The changes in fair value arising from monetary financing instruments classified as monetary items foreign currencies as available for sale (debt instrument) should be segregated to revaluation differences arising from changes in the amortized cost to be recorded in income from loans and the differences arises from foreign exchange rate changes to be recorded in other operating income and differences arises from change in fair value to be recorded in fair value reserve for available for sale investment.

Translation differences on non-monetary items (equity securities) held at fair value through income are also reported through income statement whereas for those classified as available for sale are recorded directly in equity within fair value reserve for equity securities.

### **2-3 Financial assets**

The bank classifies the financial assets among the following groups:

Financial assets designated at fair value through profit and loss, loans and debts, financial investments kept till maturity and financial investments available for sale are classified upon initial recognition.

#### **2-3-1 Financial assets designated at fair value through profit and loss**

48

Consists of financial assets held for trading purpose and financial assets that the bank upon initial recognition designates to be measured at fair value with changes reported in income.

Financial instruments held for trading purpose are those that the bank holds primarily for the purpose of short term profit-taking or if it represents a part of specified financial instruments portfolio and there is an evidence of short term profit taking. Also derivatives are classified as held for trading purpose unless they are qualified under hedging accounts.

Financial assets designated as fair value through profit and loss statement are recognized when it relates to an investment portfolio that are managed and evaluated on a fair value basis according to the investments strategies and the risk management and have been reported to the senior management according to the basis.

Any derivative or financial instrument that designated to be measured at fair value with changes through profit and loss is not classified during the period from the group of financial instruments if it is initially classified as change in fair value through profit and loss.

#### **2-3-2 Loans and debts**

Non derivative financial assets with fixed or determinable amount that are not current in active market except:

Assets that the bank intend to sell soon, in this case will be classified as assets with trading purpose, or that classified originally with the fair value through profit and loss.

Assets that the bank classified as available for sale assets that the bank can not refund its original investment value for reasons except credit worthiness.

#### **2-3-3 Financial investments kept till maturity**

Financial investments kept till maturity are non derivative assets with fixed or determinable amount and fixed maturity that the bank management has the ability and the intent to hold it for the fore-

seeable future or maturity. Any sales of a significant amount not close to their maturity except in the emergency cases would result in the reclassification of all financial investments kept till maturity as available for sale. This also includes certificates of investment funds that the bank (as the establisher of the fund) has to keep till maturity.

#### **2-3-4 Financial investments available for sale**

Non derivative financial assets that the bank intends to keep for indefinite period and may be sold to cover shortage in liquidity or due to change in interest, exchange rate or shares' price.

##### **For the financial assets , the following has to be applied:**

- For the assets classified at fair value through profit and loss, kept till maturity investments and available for sale investments buying and selling operations are recognized as usual on the trade date which is the date that the bank is committed to buy or sell the financial asset.
- A financial asset that does not originally classify at fair value through profit and loss is initially recognized at fair value plus transaction costs. A financial asset that is originally classified at fair value through profit and loss is initially recognized at fair value only and the transaction cost are transferred to income statement in net income for trading purpose.
- A financial asset is derecognized when the rights to receive cash flows have expired and the bank has transferred substantially all the risks and rewards of ownership.
- Available for sale investments and financial assets designated at fair value through profit and loss are subsequently held at fair value whereas kept till maturity investments are measured at amortized cost using the effective interest rate method.
- Profit and losses arising from changes in the fair value of available for sale assets should be recognized directly in equity, through the statement of changes in shareholders equity until the financial asset is sold, collected or otherwise disposed of at which time cumulative profit or loss previously recognized in equity should be recognized in income statement.
- Monetary assets' interest income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investment are recognized in the income statement. Available for sale equity instruments related dividends are recognized in the income statement when they are declared.
- Fair values are obtained from quoted market price in liquid market where no active market exists or quoted prices are unobtainable, the fair value is estimated using a variety of valuation techniques including discounted cash flow and other pricing methods. Inputs to pricing method are generally market based when available and taken from reliable external data sources. If the range of reasonable fair value estimates is significant and the probabilities of the various, estimates cannot be reasonably assessed, an entity may measure the equity instrument at cost minus any impairment losses. Debt instrument can be reclassified from the available for sale investments to held to maturity investments at fair value when the bank has the intention and ability to hold to maturity. Any related profits and losses that was previously recognized in equity are treated as follows:
  - Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method in case of impairment the profits and losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.
  - Profits and losses related to financial assets without fixed or determinable maturity are held in equity till selling or dispose the asset then removed from equity and recognized in the income statement. In case of impairment the profits and losses that has been previously recognized directly in equity is removed from equity and recognized in the income statement.

## **2-4 Netting:**

- Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to set off the recognized amount and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.
- Treasury Bills Repos and Reserves Repos agreements are netted on the balance sheet in "Treasury bills and other commercial papers".

## **2-5 Repos and Reverse Repos transactions:**

Repos and Reverse Repos agreement are eliminated (recorded) on the balance sheet under "Treasury bills and other commercial papers" whereas its cost (revenue) is recorded in "interest received from treasury bills and bonds" item in income statement using the effective interest rate method.

## **2-6 Financial instruments derivatives**

Derivatives are measured initially at fair value and subsequently re-measured at fair value. Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

## **2-7 Impairment of financial assets**

50

**2-7-1** The bank assesses at each balance sheet date whether there is objective evidence that financial asset of a portfolio of financial assets is impaired. A financial asset of portfolio of financial asset is impaired and impairment losses incurred if there is objective evidence of impairment and the result of one or more loss event that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial assets or the portfolio that can be reliably estimated. Objective evidence that financial asset or a portfolio is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulties that faces the lender or the borrower.
- Not applying loan terms.
- Probability that the borrower will enter bankruptcy or other financial reorganization.
- Impairment of the competitive situation of the borrower.
- Due to economical or legal factors that is related to financial difficulties of the borrower, the bank offered him unusual privileges.
- Impairment of the guarantee value.
- Impairment of the credit situation.

The impairment losses for group of the financial assets are incurred if there is objective evidence with measurable decrease in expected future cash flow in said group from the first recognition despite the fact that this decrease can not be specified for each asset separately. Example of this, the increase in cases of failed payment for one of the banking products.

The bank estimates the period between the loss event and recognizing it for each portfolio that ranges between three to twelve months, and whether there is objective evidence for impairment for each financial asset if it has a significant value.

## **2-7-2 Financial investment available for sale:**

The bank assesses at each balance sheet whether there is any objective evidence that a financial asset or group of financial assets under available for sale investments is impaired. In the case of equity instruments classified as available for sale a significant decline in the fair value of the security below

its cost is considered in determining whether the impairment exists.

From 1st July 2008 till 31st December 2008 and according to the Central Bank of Egypt's regulations dated 16th December 2008 the decline in the market value was not considered impairment.

From 1st January 2009 the decline in equity instrument is considered significant if it reaches 10% of the cost of the financial instrument and if it continued more than nine months the accumulated loss is transferred from equity instrument to the income statement and it is not refunded even if there is increase in the fair value, but if the fair value of the debt instruments classified available for sale increased the impairment is refunded in the income statement.

### **2-7-3 Provision loans to banks and customers**

Provision loans to banks and customers is established on the basis of and appraisal of the identified risk in addition to general percentage from 1 to 5 according to the basis of appraising the customers' credit worthiness issued by the Central Bank of Egypt on 6<sup>th</sup> June 2005.

Provision loans decreases by loans written off and increases by recoveries of loans previously written off.

### **2-8 Treasury bills and other commercial papers**

Treasury bills and other commercial papers are recorded at face value on the balance sheet. The issuance discount is recorded in other liabilities and deducted from the gross treasury bills balance on the balance sheet which are measured at the amortized cost using the effective interest rate method.

### **2-9 Evaluation of investments in affiliated and joint venture companies**

These investments are evaluated at cost and in case of down fall of its fair value, the book value of each investment is adjusted by such down fall and charged to the income statement. In case of an increase in the fair value such increment will be added to the same item in the income statement within the limit of the amount previously charged.

51

### **2-10 Evaluation of housing projects**

The cost of works under implementation includes the cost of allocated lands for housing projects, the cost of the constructions therein, the borrowing expenses that are capitalized during the borrowing period until related work is finished and all related expenses as works under implementation is considered one of the qualified assets to be charged with the borrowing costs which should be no more capitalized for the finished projects.

Finished housing units are evaluated at the lower of cost or fair value; the fair value is evaluated in the light of detailed studies. In case the fair value is below the cost value, the difference is charged to the income statement under "evaluation differences of housing projects". In case of an increase in the fair value, such increase shall be credited to the income statement within the limits of amounts charged to the income statement in previous financial periods.

### **2-11-Impairment of non-financial assets**

Assets with indefinite life (except for goodwill) are assessed at each balance sheet date or more frequently to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review.

An impairment loss is recognized whenever the carrying amount of an asset that generates largely independent cash flows or the cash generating unit to which it belongs exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a free tax discount rate that reflects current market rates and the risks specific to the asset.

## **2-12 Evaluation of assets acquired for settlement of customers' debts**

These assets are recorded in the balance sheet under "Debit balances and other assets" at cost and in case of decrease in the fair value of these assets at the financial statement date, the difference is charged to the income statement and the increase in the fair value should be credited to the income statement within the limits of amounts charged in previous financial periods.

## **2-13 Staff's Privileges**

**2-13-1** Medical expenses for retired staff are transferred to the income statement. In the past, the bank used to calculate these privileges for both staff and retired ones on the basic payments and real cost on the time of the event.

## **2-13-2 Social insurance**

The bank is committed to pay shares to the General Organization for Social Insurance only with no other commitments, such share is charged to the income statement for the same year.

## **2-13-3 Staff's share in profit**

The bank pays percentage of its profit to the staff as a part of profit distribution in shareholders' equity. No liabilities are recorded in the staff share in non-distributed profit.

## **2-14 Taxes**

52

- Income tax on the profit or loss for the financial period comprises current and deferred tax and is recognized in the income statement.
- Current tax is expected tax payable on the taxable income for the year using tax rate enacted or substantially enacted at the financial position date.
- Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted on the financial position date.
- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **2-15 Contingent liabilities**

Contingent liabilities in which the Bank is a party, are recorded off the Balance Sheet under Contingent Liabilities and Commitments, as they do not represent assets or actual liabilities on the date of the Balance Sheet. Provision for contingent liabilities is established on the basis of a general percentages from one to five according to the basis of appraising the customer credit worthiness issued by The Central Bank of Egypt on 6<sup>th</sup>, June, 2005.

## **2-16 Profit dividends**

Profit dividends is recorded on the financial figures related to the year in which the general assembly approved these dividends. Comparing figures are amended to the effect of these dividends.

## **2-17 Realization of income**

**2-17-1** The bank applies the accrual basis in recording interest receipt from loans and over drafts, due from banks, treasury bills and bonds. Interest on fast due loans are not recorded on the income statement. Dividends income is recognized when declared.

### **2-17-2 Profit dividends revenues**

Profit dividends revenues is recorded on the income statement only when it is deserved.

### **2-17-3 Commissions' revenues**

Revenues from commissions is recorded on accrual basis.

## **2-18 Cash and cash equivalents**

For the purpose of preparing the cash flow statement, cash and cash equivalents item includes cash balances, balances at The Central Bank of Egypt, balances of current accounts at banks, and treasury bills with maturity less than three months from the date of acquisition.

## **2-19 Depreciation**

Fixed assets (except for land) are depreciated at a fixed installment method using suitable depreciation rates that are determined on basis of the production lifetime estimated for each asset.

The installment is calculated from the date of actual usage.

Improvement and renovation expenses for the bank's rented premises are depreciated over the period of the rent contract or the estimated useful life whichever is lower.

53

## **3. Accounting estimates and assumptions**

The preparation of the financial statement requires management to make subjective judgments and estimates at times regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and are based on historical experience and other factors containing the expectations of the future events that are reasonably estimated in accordance with the available conditions and information.

### **3-1 Impairment of the available for sale equity instruments**

In case of available for sale financial investments, a significant or continuous decline in the fair value of the security below its cost is considered an impairment. Where such evidence exists, significant or continuous decline needs a personal judgment. To make this judgment the bank assesses – besides other factors the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool or sector or technological advances.

Since 1st July 2008 till 31st December 2008, the decline in the market value did not consider an impairment according to the Central Bank of Egypt regulation issued on 16<sup>th</sup> December 2008.

### **3-2-Financial investments kept till maturity**

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as financial investments kept till maturity. This category requires personal judgment therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold same till maturity (except for certain tightly defined circumstances such as if an

entity sells an insignificant amount of such investment close to maturity date) investments should be reclassified as available for sale which will be measured at fair value instead of amortized cost.

## 4. Financial instruments and their risk management

### 4-1 The financial instruments:

#### (A) The financial instruments are represented in the financial assets and liabilities:

The financial assets include balance of cash, current accounts, balances at banks, financial investments, loans to customers and banks. The financial liabilities include customers' deposits, balances due to banks, long term loans also rights and obligations stated in the contingent Liabilities and Commitments.

Explanation No. 2 includes the applied accounting policies concerning recording and measuring significant financial instruments and the revenues and expenses related thereto.

#### (B) Fair value of the financial instruments:

In accordance with the applied evaluation bases of the bank's assets and liabilities, which are stated in the explanations for the financial statements. The fair value of the financial instruments does not differ significantly from its book value on the date of the Balance Sheet. Regarding financial investments other than those held for trading purposes, explanations No.s 11 and 12 explain their fair value on the date of the Balance Sheet.

#### (C) Derivatives:

In accordance with The Central Bank of Egypt instructions, the bank does not enter into Derivatives contracts except as needed to cover its requirements in foreign currencies and its customers' needs to meet their obligations in foreign currencies resulted from their dealings made through the Bank. Those transactions are characterized as being of a short-term nature.

54

### 4-2 The management of financial instruments risk

**(A) Interest rate risk:** The value of some of the financial instruments practices some variances as a result of the change of its interest rate. The Bank takes some measures in order to minimize the result of this risk to its lower level, for example:

- Correlating between the interest rates on borrowing and lending.
  - Determining interest rates in consideration with the prevailing discount rates of various currencies.
- Explanation No. 29 shows the average interest rates applied through the year on assets and liabilities.

**(B) Credit risk:** Loans to customers and banks and financial investments as bonds also balances and deposits at banks and rights and obligations from other parties are considered to be financial assets exposed to credit risk which is represented in the inability of those parties to pay due amounts partially or totally on maturity dates. The Bank adopted some procedures to minimize the credit risk to its lowest level, for example:

- Preparing credit studies of customers and banks before dealing with them and determining the level of the credit risk related to such deals.
  - Maintaining the sufficient collateral to reduce risks that may grow from inability of customers and banks.
  - Following up and studying of customers and banks periodically to evaluate their financial and credit positions and to estimate the provisions needed for irregular balances.
  - Distribution of loans portfolio and due from banks over various sectors to avoid concentration of risk.
- Explanation No. 31 shows the diversification of Bank's loans portfolio among various sectors.

**(C) Risk of variances of foreign exchange rates:** Due to the Bank's deals in some foreign currencies according to the nature of its activity, this may expose the Bank to the risk of variances of foreign exchange rates. For the purpose of minimizing such risk to its lowest level, the Bank is balancing financial positions of foreign currencies in accordance with The Central Bank of Egypt regulations issued in this regard.

The explanation No. 32 explains the position of significant currencies on the date of the Balance Sheet.

## 5. Cash and balances at The Central Bank of Egypt

(Egyptian Pounds)	2008	2007
Cash	119 871 029	257 029 093
Balances at The Central Bank of Egypt in the framework of mandatory reserve	375 420 558	361 848 620
<b>Total</b>	<b>495 291 587</b>	<b>618 877 713</b>

## 6. Balances at banks

(Egyptian Pounds)	2008	2007
<b>(A) The Central Bank of Egypt</b>		
Current accounts	—	507 660 802
Deposits	927 842 333	2 275 549 126
	927 842 333	2 783 209 928
<b>(B) Local banks</b>		
Current accounts	19 070 674	25 058 816
Deposits	46 384 082	212 571 322
	65 454 756	237 630 138
<b>(C) Foreign banks</b>		
Current accounts	5 470 997	8 213 266
Deposits	98 958 564	69 603 652
	104 429 561	77 816 918
<b>Total</b>	<b>1 097 726 650</b>	<b>3 098 656 984</b>

55

## 7. Treasury Bills and other commercial papers

(Egyptian Pounds)	2008	2007
Treasury bills with 91 days maturity	328 600 000	-----
Treasury bills with 273 days maturity	241 275 000	-----
(-)Unearned income	(18 974 851)	-----
<b>Total</b>	<b>550 900 149</b>	<b>-----</b>

## 8. Financial assets for trading purpose

(Egyptian Pounds)	2008	2007
<b>Debt instruments</b>		
Company bonds	29 574 719	48 722 015
<b>Total</b>	<b>29 574 719</b>	<b>48 722 015</b>
<b>Equity instruments registered in the stock market</b>		
Local companies' shares	59 268 036	41 832 439
Financial investments' portfolio managed by others	286 312 080	284 520 439
<b>Total</b>	<b>345 580 116</b>	<b>326 352 878</b>
<b>Equity instruments unregistered in the stock market</b>		
Investment funds certificates	51 886 150	46 284 150
<b>Total</b>	<b>51 886 150</b>	<b>46 284 150</b>
Total equity instruments	397 466 266	372 637 028
<b>Total financial assets for trading purpose</b>	<b>427 040 985</b>	<b>421 359 043</b>

## 9. Customers' loans (after deduction of provision)

(Egyptian Pounds)	2008	2007
Subsidized loans	2 040 797 849	2 254 336 339
Unsubsidized loans	3 211 164 418	2 446 084 528
Due installments (housing loans)	21 416 027	25 189 369
Due installments (long term loans)	294 150 876	364 292 484
	<b>5 567 529 170</b>	<b>5 089 902 720</b>
(-) Provision for customers' loans	(336 605 734)	(348 083 715)
(-) Interest Suspense	(49 629 653)	(40 283 202)
<b>Total</b>	<b>5 181 293 783</b>	<b>4 701 535 803</b>

## 10. Provision for loans (regular/irregular)

(Egyptian Pounds)	2008		
	Specified	General	Total
Provision Balance at the beginning of the year	211 857 220	136 226 495	348 083 715
Transferred from provision for debit balances		85 956	85 956
Transferred from general to specified provision	10 703 679	(10 703 679)	
Transferred to the provisions for contingent liabilities		(563 160)	(563 160)
Revaluation differences of provision balances	(777)		(777)
Utilized during the year		(11 000 000)	(11 000 000)
<b>Provision balance at the end of the year</b>	<b>222 560 122</b>	<b>114 045 612</b>	<b>336 605 734</b>
	2007		
	Specified	General	Total
Provision balance at the beginning of the year	211 377 572	92 642 055	304 019 627
Composed during the year	6 415 560	43 584 440	50 000 000
Transferred to the provisions for liabilities	(5 743 850)	----	(5 743 850)
Revaluation differences of provision balances	(187 881)	----	(187 881)
Utilized during the year	(4 181)	----	(4 181)
<b>Provision balance at the end of the year</b>	<b>211 857 220</b>	<b>136 226 495</b>	<b>348 083 715</b>

## 11. Financial investments

(Egyptian Pounds)	2008	2007
<b>Financial investments available for sale:</b>		
Equity instrument - cost		
unlisted	63 751 107	63 625 478
Total financial investments available for sale (1)	63 751 107	63 625 478
<b>Financial investment kept till maturity:</b>		
Debt instruments consuming cost:	---	---
Listed	674 747 807	799 782 940
Instruments of investment funds certificates	5 000 000	---
Total financial investments kept till maturity (2)	679 747 807	799 782 940
<b>Total Financial investments (1+2)</b>	<b>743 498 914</b>	<b>863 408 418</b>
Current balances	674 747 807	799 782 940
Non current balances	68 751 107	63 625 478
	<b>743 498 914</b>	<b>863 408 418</b>
Fixed interest debt instruments'	674 747 807	799 782 940
Variable interest debt instruments'	---	---
<b>Total debt instruments</b>	<b>674 747 807</b>	<b>799 782 940</b>

	Financial Investments available for sale	Financial investments kept till maturity	Total
Balance on 1/1/2008	63 625 478	799 782 940	863 408 418
Additions	509 587	5 000 000	5 509 587
Deduction (selling/recovery)		(125 035 133)	(125 035 133)
<b>Less:</b>			
Financial investments losses	(383 958)		(383 958)
<b>Balance on 31/12/2008</b>	<b>63 751 107</b>	<b>679 747 807</b>	<b>743 498 914</b>
Balance on 1/1/2007	49 333 550	1 024 542 012	1 073 875 562
Additions	16 696 105	14 948 100	31 644 205
Deduction (selling/recovery)		(239 707 172)	(239 707 172)
Financial investments losses	(2 404 177)		(2 404 177)
<b>Balance on 31/12/2007</b>	<b>63 625 478</b>	<b>799 782 940</b>	<b>863 408 418</b>

## 12. Financial Investments in affiliated and joint venture companies

(Egyptian Pounds)	2008		2007	
	Amount	Share%	Amount	Share%
Contribution in the capital of banks and joint venture companies:				
Housing and Development Company for Utilities	3 500 000	35	3 500 000	35
Al-Taamir Company for Mortgage	93 200 000	24.84	64 100 000	24.84
Holding Company for Investment and Development	112 500 000	90	90 000 000	90
Housing and Development Company for Real Estate Investment	72 000 000	60	54 000 000	60
Al-Taamir Company for Assets Management	612 300	15.7	627 000	15.70
Al-Taamir Company for Security and Cleaning Services	765 102	39	608 400	39
Taamir Company for Real Estate Funds	2 400 000	24	600 000	24
Al-Taamir Company for Financial and Real Estate Marketing	3 900 000	39	---	---
Eskan Company for Insurance	4 950 000	9.9	---	---
<b>Total</b>	<b>293 827 402</b>		<b>213 435 400</b>	
Financial investments in affiliated and joint venture companies are composed of:				
Financial investments not registered at the stock exchange	293 827 402		213 435 400	

## 13. Housing projects (net)

58

(Egyptian Pounds)	2008	2007
<b>Housing projects</b>		
Allocated lands for housing projects *	103 971 862	109 708 810
Works under implementation**	220 596 977	203 339 382
Finished works	59 192 047	65 452 178
Real Estate Investments ***	4 460 644	4 835 030
<b>Total</b>	<b>388 221 530</b>	<b>383 335 400</b>
(-) Provision for housing projects	(2 050 925)	(2 406 742)
<b>Housing projects (net)</b>	<b>386 170 605</b>	<b>380 928 658</b>

\* Contracts have been signed for the lands allocated for the housing projects in the name of the Bank in the new cities.

\*\* Borrowing costs amounted EGP 10.90 Million at rate of 8.50%.

\*\*\* One housing unit of El-Bashair project is hired from 1/12/2003 to 30/11/2009

- One unit is hired in the administration building in Nasr City from 1/2/2006 till 31/1/2010 in addition to Nine shops in Casabianca Village.
- Two units in El-Bashair project have been hired from 1/5/2006.
- Two shops and administration unit of Pyramids projects are hired from 1/11/2006.
- One unit of administration building in Nasr city is hired from 1/11/2006.
- Three units in the Central axis project are hired from 1/7/2008.

In accordance with Egyptian accounting standards value of these units are posted to "Real Estate Investments" item in the financial statements and 2.5% depreciation rate is calculated on hiring units and charged to the income statement on 31.12.2008.

## 14. Debit balances and other assets

(Egyptian Pounds)	2008	2007
Accrued revenues (deposits, loans, investments)	75 035 585	101 831 738
Accrued revenues (subsidy) (*)	18 877 599	16 652 753
Advance payments on account of purchasing of fixed assets	97 446 145	42 691 976
Assets assigned to the bank in lieu of bad debts (**)	3 420 402	13 095 644
Indemnities and petty cash	1 448 883	1 606 802
Various debit balances	45 793 399	58 327 071
	<b>242 022 013</b>	<b>234 205 984</b>
(-) Provision for debit balances	(3 869 162)	(3 792 681)
<b>Total</b>	<b>238 152 851</b>	<b>230 413 303</b>

\* Represents the amount accrued on Ministry of Finance within the period from 1/7/2008 to 31/12/2008 calculated as the difference between the interest rate on subsidized loans granted to New Urban Communities Organization and Houses Financing Fund plus ordinary activity of the bank, and the interest rate on loans granted to the bank from the Central Bank of Egypt plus 1% to 1.5% as margin to the bank in accordance with the economic and social development's plan rules.

\*\* Represents the value of assets acquired for settlement of debts on Casabianca, BeauRivage Fayed and El-Golf projects, Obour city that amounted to EGP 3.40 million on 31/12/2008.

### 15. Fixed assets (after deduction of accumulated depreciation)

2008	Land	Buildings and establishments	Means of transportation	Equipments and machines	Furniture	Total
Cost at the beginning of the year	7 112 694	89 278 722	7 276 732	51 401 670	14 758 699	169 828 517
Additions during the year	453 235	4 851 292	1 111 166	10 650 469	2 720 123	19 786 285
Deductions during the year	-----	-----	(593 302)	(67)	-----	(593 369)
Cost on 31/12/2008 (1)	7 565 929	94 130 014	7 794 596	62 052 072	17 478 822	189 021 433
Accumulated depreciation at the beginning of the year	----	41 504 872	6 991 167	38 383 077	8 903 489	95 782 605
Depreciation of the year	-----	4 513 525	273 628	7 689 932	1 128 737	13 605 822
Accumulated depreciation of deductions	----	-----	(593 294)	(66)	-----	(593 360)
Accumulated depreciation on 31/12/2008 (2)	-----	46 018 397	6 671 501	46 072 943	10 032 226	108 795 067
Net fixed assets at the end of the year (1)-(2)	7 565 929	48 111 617	1 123 095	15 979 129	7 446 596	80 226 366
<b>Net fixed assets at the beginning of the year</b>	<b>7 112 694</b>	<b>47 773 850</b>	<b>285 565</b>	<b>13 018 593</b>	<b>5 855 210</b>	<b>74 045 912</b>

The fixed assets (after deduction of depreciation) as on 31/12/2008 include the amount of EGP 12.2 million which represents net value of land, buildings and establishments have not registered in the name of the bank yet.

The necessary legal procedures to register those assets are under process.

## 16. Balances due to banks

(Egyptian Pounds)	2008	2007
<b>Local Banks:</b>		
Deposits	----	100 000 000
	----	100 000 000
<b>Foreign banks:</b>		
Current accounts	130 774	122 451
Deposits	557 958	558 038
	<b>688 732</b>	<b>680 489</b>
<b>Total</b>	<b>688 732</b>	<b>100 680 489</b>

## 17. Customers' deposits

(Egyptian Pounds)	2008	2007
Demand deposits	602 185 176	635 599 719
Time and Call deposits	1 726 969 368	1 539 893 545
Deposit Certificates	943 231 330	955 664 708
Saving deposits	1 879 380 934	1 617 445 553
Other deposits	79 198 365	56 483 368
<b>Total</b>	<b>5 230 965 173</b>	<b>4 805 086 893</b>

## 18. Credit balances and other liabilities

(Egyptian Pounds)	2008	2007
Accrued income	144 146 650	132 703 379
Payments to installments account	466 603 978	209 548 068
Payments to reserve housing units	167 511 912	177 741 451
Creditors to purchase land	9 202 217	13 882 945
Accrued expenses	19 386 013	15 543 436
Accrued for contractors	15 075 574	15 935 008
Cheques under collection and settlement notes	70 895 264	1 830 882 050
Various creditors / collateral values	9 444 951	3 459 138
Liabilities for staff medical care *	18 623 195	20 000 000
Other various credit balances	221 812 101	169 405 773
<b>Total</b>	<b>1 142 701 855</b>	<b>2 589 101 248</b>

\* The balance represents the present value of liabilities for staff and retired medical care on 31/12/2008 determined by the actuarial expert according to the following assumptions:

- The interest rate used as a discount basis was 9% annually.
- The inflation rate for medical care was 3% annually.
- British death schedule A49-52 has been applied.

Net present value determined by the actuarial expert on 31/12/2008 was as follows:

Staff	15 529 544
Retired	2 920 611
<b>Total</b>	<b>18 450 155</b>

## 19. Long Term Loans

(Egyptian Pounds)	2008	2007
<b>(A) CBE loans</b>		
Balance at the beginning of the year	2 116 060 000	2 284 402 000
Paid instllments	(142 902 000)	(146 046 000)
Accelerated payment	(38 938 000)	(22 296 000)
Balance at the end of the year	1 934 220 000	2 116 060 000
<b>(B) Social fund loans</b>	27 750 000	31 500 000
<b>Total</b>	<b>1 961 970 000</b>	<b>2 147 560 000</b>

(A) The value of long-term loans amounted to EGP 1934 million on 31/12/2008 compared to EGP 2116 million on 31/12/2007, which are represented in (89) loans from total (99) loans specified to the bank from the Central Bank of Egypt in the frame of state's plan of economic and social development.

### These loans are specified for the following activities:

- Loans specified for the bank's main activity in housing sector (sold units – individuals – governorates – associations) (26 loans).
- Loans specified to finance Houses Financing Fund activities (20 loans).
- Loans specified to finance New Urban Communities Organization activities (23 loans).
- Loans specified to finance General Organization for Housing and Construction association (20 loans).

The interest rates on said loans are 9% annually, which is determined according to the current interest rates on the date of grant. According to this regime, those loans were re-granted for customers with subsidized interest rates ranging between 3% to 6%, the difference between borrowing and lending rates plus margin (1% to 1.5%) is charged to the State Treasury. This regime has been stopped as of 1997.

Said loans mature on (28) equal annual installments start after two years (grace period) from the date of acquisition.

The value of the accrued installment within year 2008 amounted to EGP 142.9 million and EGP 38.9 million as accelerated payments.

(B) In addition to a loan amounted to EGP 27.7 million from the social fund for financing small projects.

## 20. Other provisions

2008	Provision for Contingent Liabilities	Provision for other Claims (*)	Total
Balance at the beginning of the year	11 177 120	225 752 922	236 930 042
Composed during the year	—	4 810 000	4 810 000
Transferred from provision for loans	563 160	—	563 160
Transferred to provision for debit balances	—	(162 436)	(162 436)
Utilized from provision for Contingent claims	—	(9 232 178)	(9 232 178)
Paid under settlement of provision for other claims	—	(44 764 838)	(44 764 838)
<b>Total</b>	<b>11 740 280</b>	<b>176 403 470</b>	<b>188 143 750</b>

2007	Provision for Contingent Liabilities	Provision for other Claims (*)	Total
Balance at the beginning of the year	5 433 270	189 417 692	194 850 962
Composed during the year	—	34 978 715	34 978 715
Transferred from provision for debit balances	—	2 092 892	2 092 892
Transferred from provision for loans	5 743 850	—	5 743 850
Utilized from Provision for other claims	—	(736 377)	(736 377)
Paid under settlement of provision for other claims	—	(35 764 838)	(35 764 838)
<b>Total</b>	<b>11 177 120</b>	<b>189 988 084</b>	<b>201 165 204</b>

(\*) Provision for other claims composed to face the possible tax liabilities and legal disputes.

## 21. Deferred tax

<b>(A) Recognized liabilities resulted from deferred tax:</b>		
<b>Deferred tax liabilities reached EGP 39974 on 31.12.2008. It was calculated as follows:</b>		
Tax depreciation in accordance with income tax law 91/2005:	13 415 950	11 142 639
<b>Less:</b>		
Calculated depreciation in accordance with Egyptian Accounting Standards	13 605 822	11 135 818
Differences of permanent depreciation	(189 872)	6 821
Tax rate	20%	20%
Deferred tax liabilities	(37 974)	1 364
<b>Plus:</b>		
Balance at the beginning of the year	287 894	286 530
	<b>249 920</b>	<b>287 894</b>

<b>(B) Unrecognized deferred tax assets:</b>		
Provision for debts	67 276 670	69 616 743
Provision for contingent liabilities	2 392 532	2 235 424
Provisions for legal disputes	3 293 846	3 297 846
<b>Total</b>	<b>72 963 048</b>	<b>75 150 013</b>

These deferred tax assets have not been recognized because there is no possibility to using these assets items in decreasing the deserved taxes on the bank during the coming years. Deferred tax recorded as an asset is decreased with the value that has no tax benefit during the coming years.

## 22. Capital and Reserves

### (A) Authorized Capital:

- The authorized capital is EGP 3000 million, the issued and paid-up capital is 670 million totaling 67 million share each with 10 Egyptian Pounds as a par value.
- The Bank's extraordinary general assembly approved on 5/11/2007 to increase the authorized capital from EGP 1000 million to EGP 3000 million, and the issued and paid up capital from EGP 550 million to EGP 1150 million with an increment amounted to EGP 600 million.
- The first phase had been announced on 16/1/2008 with an increment amounted to EGP 120 million at the face value for the original shareholders, and it was completely accomplished and marked on the bank's commercial ledger.
- Further increments in the capital with the fair value will be offered for the public later.

### (B) Reserves:

- According to the bank statutes 5% of the net annual profit is to increase the legal reserve until it reaches 20% of the issued and paid-up capital.

Concurrence of the Central Bank of Egypt for usage of special reserve is required.

- Reserves that reached EGP 76.10 million are composed of:
  - EGP 14.6 million as legal reserve.
  - EGP 47 million as general reserve.
  - EGP 9.30 million as special reserve.
  - EGP 5.20 million as other reserves.

### (C) Earning per Share:

(Egyptian Pounds)	2008	2007
Net profit	200 870 835	182 362 698
Board of Directors' Bonus	(2 500 000)	(2 500 000)
Employees' share	(32 000 000)	(26 000 000)
Shareholders' share	166 370 835	153 862 698
Weighted average for the shares	67 000 000	55 000 000
Earning per share	2.48	2.80

## 23. Contingent Liabilities and Commitments

(Egyptian Pounds)	2008	2007
Letters of guarantee	185 269 185	160 407 690
Documentary credits	5 640 727	7 762 861
<b>Total</b>	<b>190 909 912</b>	<b>168 170 551</b>

## 24. Profits on Housing Projects:

(Egyptian Pounds)	2008	2007
Housing units selling	90 943 382	161 988 480
Cost of sold housing units	(43 371 054)	(91 264 501)
Total profits	47 572 328	70 723 979
Other housing profits	22 558 370	28 848 229
<b>Total</b>	<b>70 130 698</b>	<b>99 572 208</b>

## 25. Profit Dividends

(Egyptian Pounds)	2008	2007
Commercial papers for trading purpose	3 091 385	1 919 575
Commercial papers available for sale	1 148 115	322 250
Affiliated and joint companies	10 162 612	5 176 820
<b>Total</b>	<b>14 402 112</b>	<b>7 418 645</b>

## 26. Net Income of Trading Purpose

(Egyptian Pounds)	2008	2007
Profits from foreign exchange	4 141 605	2 322 536
Profits (losses) from revaluing assets and liabilities in foreign currencies	(405 506)	(155 764)
Profits from selling financial investments for trading	2 030 962	4 250 201
Revaluation differences from financial investments for trading	(653 903)	39 065 728
<b>Total</b>	<b>5 113 158</b>	<b>45 482 701</b>

## 27. Capital Commitments

(A) Value of commitments related to financial investments and not required to be settled on the date of the balance sheet amounted to EGP 12343659 as follows:

	Value of participation	Amount paid	Remaining and not yet required
<b>Financial investments available for sale</b>			
Middle East Fund for Restructuring	40 000 000	38 361 941	1 638 059
<b>Financial investments in banks' capital and joint venture companies</b>			
Al-Taamir Company for Assets Management	1 570 000	627 000	943 000
Al-Taamir company for Security and Cleaning Services	1 521 000	608 400	912 600
Al-Taamir Company for Financial and Real Estate Marketing	7 800 000	3 900 000	3 900 000
Eskan Company for Insurance	9 900 000	4 950 000	4 950 000
<b>Total</b>	<b>60 791 000</b>	<b>48 447 341</b>	<b>12 343 659</b>

(B) Fixed assets and branches' constructions

Value of commitments related to contracts of purchasing fixed assets and constructions of branches that have not been implemented till balance sheet date amounted to EGP 5 176 612.

## 28. Maturity of Assets and Liabilities

	Maturity within one year	Maturity within more than one year
<b>Assets</b>		
Cash and balances at the Central Bank of Egypt	495 291 587	----
Due from banks	1 097 726 650	----
Treasury bills and other commercial papers	550 900 149	----
Financial investments for trading purpose	427 040 985	----
Financial investments available for sale	----	63 751 107
Customers loans	841 783 827	4 339 509 956
Financial investments kept till maturity	93 000 494	586 747 313
Financial investments in affiliated and joint venture companies		293 827 402
Housing projects	57 141 122	329 029 483
Debit balances and other assets	137 286 304	100 866 547
<b>Total</b>	<b>3 700 171 118</b>	<b>5 713 731 808</b>
<b>Liabilities</b>		
Due to banks	688 732	----
Customers' deposits	2 408 352 909	2 822 612 264
Credit balances and other liabilities	489 962 770	652 739 085
Deferred tax liabilities	----	24 9920
Dividends creditors	82 993	----
Long term loans	142 901 796	1 819 067 716
<b>Total</b>	<b>3 041 989 200</b>	<b>5 294 668 985</b>

## 29. Applied Interest Rates during the year

Average interest rates applied on assets and liabilities during the year are 10.9% and 7.7% respectively.

## 30. Tax Status

### A- Corporate tax

- According to the court of law decision dated 4/7/2007, the bank starts up year of operations is 1980 .
- As for the period from 1980-1984, will be examined from the tax authority.
- As for the period 1985-1988, tax auditing and settlement for this period had been implemented.
- As for the period 1989-1997, tax position had been settled with the tax appeal committee of the tax authority.
- As for the period 1998-2001, it was examined and in the process of implementing tax appeal committee work.
- As for the period 2002-2004, it was examined and in the process of implementing tax appeal committee work.
- As for the period 2005-2007 Tax declaration had been presented according to the Law No. 91/2005.
- As for the period 2001-2007, Tax declaration had not shown any profits related to corporate tax.
- The bank's management composed the suitable provision for the corporate tax.

### B- Stamp Tax

As for the period till 31/7/2006, it had been examined and paid for most of the bank's branches, some branches are still under examination.

Law No. 143 for the year 2006 has been applied since 1/8/2006 and the bank's management had composed the suitable provision for stamp tax.

### C- Work Earning Tax

- As for the period 1980-1997, tax auditing and settlement for this period had been implemented.
- As for the period from 1998-2002, in the process of implementing tax appeal committee work.
- As for the period from 2003-2004, it was examined and the tax had not been determined.
- As for the period from 2005-2007, the tax declaration had been presented in accordance with the Law No. 91/ 2005.
- The bank's management had composed the suitable provision for work earning tax.

### 31. Assets, Liabilities and Contingent Liabilities Distribution

(Egyptian Pounds)

2008

2007

	Local Currency	Foreign Currency	Local Currency	Foreign Currency
<b>(A) Assets</b>				
Customers' loans				
Public Business Sector	2 019 256 045	----	2 296 807 222	----
Private Business Sector	772 532 078	1 301 000	546 907 383	1 293 000
Public Service Sector	91 621 803	----	16 231 856	----
Family Sector	2 678 703 244	4 115 000	2 224 505 259	4 158 000
<b>Total</b>	<b>5 562 113 170</b>	<b>5 416 000</b>	<b>5 084 451 720</b>	<b>5 451 000</b>

#### **(B) Liabilities**

Customers' deposits				
Public Business Sector	1 284 802 847	12 633 474	1 366 221 542	935 740
Private Business Sector	751 046 080	25 743 803	480 151 153	37 724 345
Public Service Sector	33 078 957	-----	17 521 467	-----
Family Sector	2 971 869 745	143 898 267	2 716 097 425	131 093 966
Other	6 919 000	973 000	54 439 995	901 260
<b>Total</b>	<b>5 047 716 629</b>	<b>183 248 544</b>	<b>4 634 431 582</b>	<b>170 655 311</b>

#### **(C) Contingent Liabilities and Commitments**

Private Business Sector	154 762 000	----	133 071 000	----
other	30 507 185	5 640 727	27 336 690	7 762 861
<b>Total</b>	<b>185 269 185</b>	<b>5 640 727</b>	<b>160 407 690</b>	<b>7 762 861</b>

68

### 32. Position of Significant Currencies

(Egyptian Pounds)

2008

2007

US Dollars	1 242 000	2 020 000
Sterling Pound	237 000	412 000
Euro	4 470 000	6 054 000
Saudi Riyal	340 000	1 528 000
Others	302 000	356 000

### 33. Trust Activities

The value of customers' securities deposited for custody at the bank amounted to EGP 60.9 million on 31/12/2008.

### 34. Transactions with related parties

The bank conducts transactions with the related parties according to the rules and customs instructed by its management, which may differ than that applied with other parties.

(Egyptian Pounds)	2008	2007
Loans	218 098 000	371 969 503
Deposits	1 206 713 000	1 437 671 190
Investments	60 850 982	61 640 000

### 35. Merging Procedures

The extraordinary general assembly in its meeting on 12/2/2005 agreed on principal to merge Housing and Development bank with Egyptian Arab Land bank, take the executive procedures to evaluate the assets and liabilities for both banks to reach the fair value for each share, authorize the board of directors of each bank to take the necessary procedures to finish the merging process and propose to the extraordinary general assembly of each bank viewing the final results of the merging process and take the final decision in this respect.

### 36. Al-Taamir Investment Fund

The board of directors has agreed on 10.9.2007 to establish Al-Taamir Investment Fund for EGP 100 million. Prime Company for Financial Investments has been appointed to manage the fund.

The Central Bank of Egypt has agreed on 30/1/2008 to establish the fund under license No. 449 issued from Capital Market Authority on 18/3/2008.

The redeemed value of certificates reached EGP 141.2 million.

The bank portion got 50 thousand certificates with redeemed value EGP 5 million.

### 37. Related events

On 24/2/2009 a memorandum of understanding has been signed between Housing and Development Bank, legal representative of the shareholders in DAMAC Company and the legal representative of DAMAC Company whereas our Bank approved on behalf of itself, Egyptian Arab Land Bank and the Holding Company for Investment and Development to take over 60 % of the shares of DAMAC Company.

DAMAC (Egyptian joint stock company) has one project in New Cairo City built on 1500 Fedan.

### 36. Figures of Comparison

Figures of comparison were amended to cope with the classifications of the Financial Statements of the present year.

## **Contacts**

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73

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 \*\*ATM

**Damietta El-Gadida Branch**

Address : Apartment 2, Building No. 14, First Neighbourhood, First District, Damietta El-Gadida City  
 Telephone : +20 57 2402041 – 2402042  
 Fax : +20 57 2402043  
 P.O.Box : 28 Damietta El-Gadida

**Damanhour Branch**

Address : Building No. 1, Housing and Development Bank Buildings, El-Mawazeen St., Abu El-Reesh, Damanhour  
 Telephone : +20 45 3322158 – 3334714  
 Fax : +20 45 3322156  
 P.O.Box : 9 Damanhour

**Zagazig Branch**

Address : 1 Modeer El-Amn Street  
 Telephone : +20 55 2374832 - 2374833  
 2376885  
 Fax : +20 55 2374834  
 P.O.Box : 236 Zagazig  
 \*\*ATM

**Kafr El-Sheikh Branch**

Address : El-Forkan Building, El-Awkaf Buildings, El-Geish St., Kafr El-Sheikh  
 Telephone : +20 47 3241351  
 Fax : +20 47 3237563  
 P.O.Box : 49 Kafr El-Sheikh

**Chamber of Commerce Branch Port Said**

Address : Chamber of Commerce Building, Mohamed Ali St., Port Said  
 Telephone : +20 66 3345400 – 3357900  
 3240432 – 3240486  
 Fax : +20 66 3357600  
 P.O.Box : 943 Port Said  
 Telex : 63428 HDBPS UN  
 \*\*ATM

**Ismailia Branch**

Address : El-Talatin Tower,  
El-Gomhoria St.,  
El-Blajat Road, Ismailia

Telephone : +20 64 3917521 – 3918407  
3917108

Fax : +20 64 3917457

P.O.Box : 2/44 Ismailia

\*\*ATM

**El-Arish Branch**

Address : 23rd of July St., El-Arish,  
North Sinai

Telephone : +20 68 3352997 – 3352996

Fax : +20 68 3352998

P.O.Box : 192 El-Arish

\*\*ATM

**Banha Branch**

Address : El-Safa Wa El-Marwa Tower,  
Corner of El-Amal Wa  
El-Reyada Streets., Banha  
El-Gadida

Telephone : +20 13 3224298 – 3245471  
3245472

Fax : +20 13 3224297

P.O.Box : 110 Banha

\*\*ATM

**10th of Ramadan City Branch**

Address : Building of 10th of Ramadan  
City Authority, First  
Neighbourhood, First District  
Centre, 10th of Ramadan City

Telephone : +20 15 364358 – 374260

Fax : +20 15 364376

P.O.Box : 84 El-Asher

**El-Sadat Branch**

Address : Villa No. 47,  
Belal Ebn Rabah St.,  
El-Sadat City

Telephone : +20 48 2600779 – 2600867

Fax : +20 48 2600778

P.O.Box : 64 El-Sadat City

**El-Salheya El-Gadida Branch**

Address : Building No. 6,  
Neighbourhood No. 12,  
In Front of Commercial  
Market, El-Salheya El-Gadida

Telephone : +20 55 3200270 – 3202614

Fax : +20 55 3200270 - 3202613

P.O.Box : 5

**Sharm El-Sheikh Branch  
(Naima Bay)**

Address : Naima Bay Mall No. 8

Telephone : +20 69 3601205 - 3601207

Fax : +20 69 3601206

P.O.Box : 342 Sharm El-Sheikh

\*\*ATM

**Port Said Collection Office**

Address : 11 Saad Zaghloul and  
El-Gish St., Port Said

Telephone : +20 66 3345200 - 3345300

Fax : +20 66 3226073

P.O.Box : 1342 Port Said

**Sharm El-Sheikh Branch (Teran)**

Address : Shop 29,28 Teran Mall,  
in front of the old Mall

Telephone : +20 69 3665318 - 3665319

Fax : +20 69 3665317

P.O.Box : 342 Sharm El-Sheikh

\*\*ATM

**Upper Egypt Region****Beni Suef Branch**

Address : Building No. 1h, Housing and  
Development Bank Buildings,  
Beni Suef El-Gadida City

Telephone : +20 82 2240163 – 2240863  
2240862

Fax : +20 82 2240862

P.O.Box : Beni Suef El-Gadida  
Post Office

**El-Menia Branch**

Address : Engineer Syndicate Building,  
Cornish El-Nil St., El-Menia  
Telephone : +20 86 2339944 – 2329656  
2329650  
Fax : +20 86 2368857  
P.O.Box : 73 El-Menia  
\*\*ATM

**Assuit Branch**

Address : 2, El-Gomhoreya St., El-Wagh  
El-Kebly Company Towers,  
Assuit  
Telephone : +20 88 299004 – 299003  
299002 - 299001  
Fax : +20 88 299005  
P.O.Box : 151 Assuit  
\*\*ATM

**Sohag Branch**

Address : Judges' Tower, Naser City,  
Sohag  
Telephone : +20 93 4602262 – 4604156  
Fax : +20 93 4601036  
P.O.Box : 58 Sohag  
\*\*ATM

**Qena Branch**

Address : Modereyet El-Amn Square,  
Borg El-Modereya, Qena  
Telephone : +20 96 5321603 - 5344116  
Fax : +20 96 5321605  
P.O.Box : 61 Qena  
\*\*ATM

**Hurghada Branch**

Address : Sindbad Tourism Village –  
Tourism Villages Zone –  
Hurghada  
Telephone : +20 65 3441328 – 3441330  
Fax : +20 65 3441483  
P.O.Box : 389 Hurghada  
\*\*ATM

**Aswan Branch**

Address : Apartments 2 & 3, Building  
No. 9, El-Akkad District,  
El-Sadat Road, Aswan  
Telephone : +20 97 2305963 - 2309976  
Fax : +20 97 2305972  
P.O.Box : 114 Aswan  
\*\*ATM

**Aswan Branch (Cornish El-Nil)**

Address : 9 Cornish El-Nil, Aswan  
Telephone : +20 97 2330486  
Fax : +20 97 2330486  
P.O.Box : 114 Aswan

**El-Menia El-Gadida Branch**

Address : Building No. 33, Second  
District, City Project, El-Menia  
El-Gadida City, East the Nile  
Telephone : +20 86 2295401 – 2295010  
2295011  
Fax : +20 86 2368857  
P.O.Box : 73 El-Menia

**Marsa Alam Branch**

Address : Kilo 65 El-Qusair Road, Near  
Holiday Beach Resort  
Telephone : +20 65 3750176  
Fax : +20 65 3750176  
\*\*ATM

**Luxor Branch**

Address : Said Zaghloul St., Luxor  
Telephone : +20 95 2361442 - 2389083  
Fax : +20 95 2384236  
P.O.Box : 260 Luxor  
\*\*ATM